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## THE BASIS OF LIGHT INDUSTRY IN CHINA

By Professor E. Stuart Kirby

The preparation of the Second Five Year Plan, for which the decisive stage of drafting has now arrived, appears to be posing a major test for Communist China—larger than the tremendous one that was presented by the formulation of the First Five Year Plan (1953-7), which took two or three years to work out and involved many acute questions. Communism moves in crises of increasing amplitude and severity, as its undertakings become more extensive and more complex, its internal contradictions more numerous and acute. This gives the lie, in plain view of the whole world, to its sedulous propaganda of steady and cumulative progress, allegedly in contrast to the instability of capitalism.

The crux in China today is officially stated—i.e. by the Chinese Communist newspapers, journals, and government information agencies, also some of the Russian ones, which together are my sole (or almost sole) source of information on this matter—to be that of a balance and an adjustment between light industry and heavy industry. Heavy industry, it is avowed, has been somewhat excessively stressed in the period of the First Five Year Plan. Or rather, light industry and the production of consumer goods have been insufficiently promoted, and there is considerable complaint, dissatisfaction and hardship among the people—"even among our own party comrades and the youth". (For the benefit of any occasional critic, let me aver once again that I am citing solely from official Chinese Communist publications, and have studied and written on Chinese economic affairs for more than thirty years).

The latter version (insufficient development of light industry, in relation to the people's needs) sounds much better, of course, than the former (excessive emphasis on, and investment in, heavy industry), and is therefore preferred by the politicians and propagandists. But in reality they are

of course one and the same thing, since it is a case of the allocation of scarce technical skill, limited organisational ability and key natural resources, but abundant mass-labour at low wages (which is where the people come in) between these two categories. And the emphasis of Communism is—in basic dogma, in observable present experience, and in actual history—on the former, on heavy industry above all other components of the economy and society.

Any swing to tip the balance more towards the side of light industry and personal consumer goods is a fundamental setback and disappointment to the Marxist "general line of advance", and no amount of sophistry can conceal the fact. Any such step back creates disproportionate alarm and despondency in the Communist mind, moreover, because it offers all kinds of possibilities of "deviations", Titoism, etc. When people see how much better and more progressive it is to have more consumer goods, and the State less blast-furnaces and guns, this path appears more attractive; and they will seek for any possible variation, in its general direction, in preference to the basic line of Communist heavy industrialisation and centralisation, on which a halt has had temporarily to be called.

\* \* \*

It is therefore very timely indeed to have a close, detailed, comprehensive and objective study made of the actual history and present conditions of light industry, as against heavy industry, in Communist China. A flood of new and illuminating evidence is pouring out at present, with reference particularly to the present situation and the prospects of the Second Five Year Plan, in which (all the official material makes bluntly clear) light industries are to have a relatively larger share than in the First Five Year Plan.



We shall attempt to summarise, in this and future articles, evidence resulting from research in this field in the Department of Economics of the University of Hongkong. The present article will have space only for the first chapter in the story—the basis laid down in the initial period of rehabilitation and reconstruction, between the taking of power by the Communists on the China Mainland in 1949 and their inauguration of the First Five Year Plan in 1953. But I hope to publish further “chapters” in later editions of this journal, dealing with the subsequent phases of the First Five Year Plan, then the present position, and in due course the era of the Second Five Year Plan.

The basic aim of Chinese Communism, initially expressed very clearly in the “Common Programme”, is a gigantic transformation of the whole country and its life. The system in all its aspects is to be changed from a “semi-colonial and semi-feudal” one (semi-conceptions and semi-definitions, these, which have never been altogether clearly focussed), into a strong, powerful, modern and progressing Socialist society. No shadow of doubt was allowed that the sole technical method and condition of this is the building-up of heavy industry above all, and the sole political method and condition (inseparably) the total and centralised control of all activities by the State. The raising of the people's living standards is always duly specified, in Communist aims; but it comes always at the end of the list, after the above-mentioned historic destinies and pre-conditions.

Of course, a country is “powerful” in proportion to its possession of heavy industries—especially if the yardstick is heavy military armaments. It is further axiomatic in Communism, however, that a country is also modern, advanced, progressive, cultured and happy in proportion to its heavy-industry rating. (Perhaps I may cite in incidental illustration a conversation I heard in Communist China between an Australian and a Chinese minor official. C: “Is there a lot of heavy industry in Australia?” A: “Not much”. (Sotto voce: “About the same as in China, perhaps”) C: “Then the peasants must be very poor in Australia”).

Power is a basic consideration, control is another—and indeed an overlapping—concept in the Communist mind. Heavy industry was very massively invested in, for an end-product of power, and also State control. Light industry is secondary control; particularly when the heavy industry not only in power-significance, but also because it is harder to bring under centralised bureaucratic capacity is to consist largely of big new unitary constructions, additional to the pre-existing structure, whereas the light industry is a complex and diffuse mass, a tangled skein from the control point of view.

In discussing light industry in China, it is essential to bear always in mind that it is a question very primarily of basic daily necessities for

the mass of the people. In the Chinese setting, there are virtually no durable consumer goods (cars, refrigerators, etc) or luxuries (except for higher officials, foreign tourists, etc), and very few semi-luxuries or amenities. It is primarily a question of direct daily necessities, that people eat and wear and use every day (the things right at the top of the personal demand-schedule, low in price-elasticity and income-elasticity of demand: i.e. among the things people most feel they must have, or ought to have). Besides the commodities in this category, it is also largely a question of minor and personal services, on which the Chinese way of life especially depends.

Any reduction in light industries and the consumer goods they produce, or restriction of these in proportion to others, hits the Chinese people relatively harder than other peoples differently placed; and conversely, any relaxation in this respect eases their position relatively more, and makes a subsequent reversion to the basic Communist policy of heavy industrialisation harder. In this case it is less likely, than on other issues, to be an instance of “one pace back, two steps forward later” on the part of the Communists.

A particular feature in the case of China was the relative concentration of industrial capacity in a comparatively few cities, mainly on the coast and in Manchuria. Communist policy has been explicitly biased, to a considerable but not very determinable extent, by an inclination to shift industries inland. This previous locational pattern was disliked from the “power” point of view (National Defence: vulnerability to attack) and the “control” point of view (foreign influences, traditions, etc, and as representing a ‘colonial’ basis, of taking the raw materials to the industrial centres, which should be reversed). The rest of the light-industry capacity, diffused through the rest of the country, was overwhelmingly on a local handicraft basis, which represents a different “front” from both the control and the power points of view.

Within this framework, the period 1949-52 saw a tremendous effort of consolidation, reorganisation and preparation. The currency and prices were stabilised by forthright and efficient methods. A new banking structure was established, which was to be a major instrument of state control. Foreign influences and interests were squeezed out by every possible means (but not quickly; slowly, so that everything possible would be bled out of them before they were allowed to leave). The State took over all “key” or “commanding” positions in the economy, attaining effective control over all capitalists and enterprises.

A tremendous increase in output, as compared to 1949, followed during the next three years. Comparisons were drawn almost invariably, at first, with 1949 (increasingly, later, comparison began to be with “the highest pre-Liberation peak year”).



The formula "1949 = 100" became monotonously familiar. But 1949 was a very bad year for every industry and activity in China, after War and Civil War, and many bad policies and confusions, it was indeed an historical nadir for the Chinese economy; so 1949 was in fact more like "zero" than "100" in most respects. It is in this perspective that we record such official figures as the following, for the light-industrial products now under study:

TABLE I Increased Output of Selected Products (1949-1952)					
	1949	1950	1951	1952	1952 Revised
Cotton Yarn .....	100	134	149	201	200
Cotton Cloth .....	100	154	197	287	306
Paper .....	100	130	223	331	345
Flour .....	100	93	143	220	233
Cigarettes .....	100	116	116	151	163
Matches .....	100	87	107	129	135
Sugar .....	100	121	151	199	234

Source: Report on National Economic and Cultural Recovery and Development in 1952, by the State Statistics Bureau, Tientsin Ta Kung Pao, Sept. 30th, 1953.  
Revised figures for 1952 are from the People's Handbook, Ta Kung Pao, 1955, p. 420.

I. Textiles

The textile industry is the largest and most important of the light-industries of China. It covers all processes from the spinning of cotton, silk, woollen and flax yarns to weaving, dyeing, knitting and finishing. The People's Government put special stress on its rehabilitation, as specified in Article 25 of the Common Programme (English edition, Foreign Languages Press, Peking, p. 14).

Textile production was greatly raised between 1949 and 1952.

TABLE II Indices of textile output in 1952 (1949 = 100)				
Cotton yarn .....	200	Silk yarn .....	489	
Cotton cloth .....	306	Silk fabric .....	112	
Gunny Bags .....	670	Printing and dyeing ..	274	
Woollen yarn .....	429	Knitting .....	297	

(Source: Official Report of Minister of Textile Industry, Oct. 1, 1953, Ta Kung Pao, Hongkong).

COTTON

The cotton industry takes the leading position in all the light industries of China. In March 1950, the Ministry of Textile Industry produced a production plan for the whole cotton industry, stressing the unification and co-ordination of the formerly disjointed and inefficient network of cotton mills, from the viewpoint both of administration and production.

At the Revolution, there were 247 cotton mills with 5.1 million spindles and 68,000 looms<sup>(1)</sup>, including some 2 million spindles taken over by the Nationalist Government from Japanese ownership in 1945<sup>(2)</sup>, distributed as follows.

TABLE III		
	Spindles (millions)	Looms (thousands)
East China .....	3.7	46.5
North China .....	0.5	11.5
Central and South .....	0.3	1.9
Other areas .....	0.6	8.0
	5.1	67.9

About one half of this capacity was located at Shanghai. About 60% of the plant was privately owned.

The production of both cotton yarn and piece goods was extremely low in 1949; that of cotton yarn was 72.4% of the 1930 peak, that of piece goods 72.6% of the 1936 peak<sup>(3)</sup>. Only half the spindles and looms were in operation after the "Liberation"; much of the capacity had been idle for years, owing to civil war, monetary instability, power shortage, and the precarious supply of raw cotton. Results are given as follows:

TABLE IV Production of cotton yarn and cloth, 1949-52			
		Cotton yarn (mn. bales)	Cotton cloth (mn. bolts)
Peak year .....	(1933:)	2.44	(1936:) 45.00
1949 .....		1.80	30.17
1950 .....		2.00	46.47
1952 .....		3.60	89.27

Various figures are stated, which are often inconsistent. The output of cotton yarn was declared to have regained the 1949 level in 1950, and exceeded it by 8% in 1951 and 41% in 1952; while that of cotton cloth was claimed to have exceeded the pre-1949 peak of 40 million metres by 9% in 1950, 15% in 1951 and 67% in 1952<sup>(4)</sup>:

TABLE V Indices of output, 1949-52				
	Pre-1949 peak	1950	1951	1952
Cotton yarn .....	100	100	108	141
Cotton cloth .....	100	109	115	167

Yet textile capacity had risen very little; the numbers of spindles and looms had increased, respectively, by 15% and 20%, up to the end of 1952. This illustrates the fact that the capacity was grossly underutilized in 1949. In fact, further, the quoted "peaks" really represent a low level in the pre-war depression, and refer to times of Japanese invasions at Shanghai and civil warfare in other parts of the country.

Reasons for the increase in output of cotton yarn and cloth

(i) Increased supply of raw cotton was the principal factor; though a policy of expanding the acreage under cotton (though this always conflicts with the need for more acreage under food crops) over 700,000 tons of ginned cotton were produced in 1950, perhaps a little over pre-war levels. A three-year programme was then launched, with the emphasis now, on increased yield per acre; with the following results.

TABLE VI Raw cotton output, 1949-52 in 000 metric tons		
		Index
1949 .....	440	100
1950 .....	711	161
1951 .....	1,008	229
1952 .....	1,290	292

(Sources: People's Daily, Peking, 1/4/53, Ta Kung Pao, Tientsin, 11/1/54, 30/9/53. China News Analysis, No. 8, 16/10/53. Far Eastern Economic Review, 26/7/56).

The 1949 level was very low; due primarily of course to civil war, but also to bad weather. The good harvest in 1952 brought an output more than 50% higher than that of 1937 (which was 809.5, according to the National Agricultural Resources Board: see T. H. Shen, "Agricultural Re-



sources of China"). The Communist press proclaimed that China had reached self-sufficiency in raw cotton, with a surplus for export.

Nevertheless, the output of cotton yarn, claimed to have exceeded the pre-war peak by some 40% in 1952, appears to have been limited throughout this period by relative shortage of raw cotton supplies. The 1950 cotton production (685,000 tons, to 711,000, in different statements) had to be supplemented by imports of cotton in that year, representing 18% of the value of China's total imports; in 1951-52 imports from Pakistan, Brazil, Egypt etc., were still reported though in smaller magnitude.

(ii) **Rise in labour productivity.** Campaigns for increasing labour productivity, and for economy and austerity were promoted, in private as well as state-owned plants; there were also promises and pressures to improve workers' welfare, abolish bureaucratic methods of management, etc.

Results claimed were: an output (per 20 hours) per spindle of over 1 lb. of yarn, and per loom of 85 yards of cloth, compared with 0.6 to 0.7 lb. per spindle and 50 to 60 yards per loom "before the Liberation". There was, it was claimed, a 32% increase in labour productivity overall in Chinese state-owned textile mills.

Average wages (largely on piecework) rose 15% between 1949 and 1950, and 34.7% between 1949 and 1952<sup>(5)</sup>. The rise in output being due to various causes, it is not possible to assess to what extent improved labour-efficiency contributed, but this was clearly one reason, and evidently the workers were driven or persuaded to work harder.

(iii) **Rationalisation and re-equipment.** According to official statements, by 1952 compared with 1949, the number of spindles increased by just over 10%, the number of looms by just over 11%. Since there was some destruction of spindleage in 1949-50, the total of spindles available at the end of 1950 was probably less than 4.8 million, and the number of looms about 70,000 (cf Table III); if so the total of spindles at the end of 1952 would be 5.3 mn. (approx.) and the number of looms 78,000.<sup>(6)</sup>

This was largely due to better repair and maintenance facilities, bringing marginal or unserviceable plant back into use, though Communist statements stress "more rational" utilization of equipment, "coordination" of factories and administration, etc.

How much was new capacity, in new installations? Five large-scale cotton mills were reportedly established in this period in the cotton-growing provinces of Hopei and Shensi, but details of their capacity are not to hand<sup>(7)</sup>.

(iv) **Price-fixing and currency-stability.** Besides the above factors, official statements stress the importance, in this period, of the improved monetary and price conditions; and particularly that the State fixed a favourable price-ratio between cotton and cereals, to encourage cotton-growing on the land, and to encourage the cotton workers in the mills.

Considerable priority must have been attached to the cotton industry, among the light industries (in purely relative terms—with the lion's share of investment and effort going to heavy industry). It appears to have made more progress than any other industry, in this rehabilitation period.

### WOOLLENS

The woollen industry in China represented a small capacity, compared with the cotton industry; before the Communist Revolution it had 103 mills with 150,000 spindles and 2,106 looms, and an annual output of about 20 million yards of woollen cloth and about 12 million lbs. of woollen yarn—a tiny percentage of world production. The great majority of mills were located at Shanghai; where a larger proportion than elsewhere were already under the State.

TABLE VI  
**Woollen Industry of China, 1950**

Region		Number of		Looms
		Mills	Spindles	
East China	State Private	7	35,765	288
		73	65,334	1,218
		80	101,099	1,506
North China	State Private	5	10,555	186
		8	10,494	97
		13	21,049	283
North-East	State Private	2	12,723	118
		(none)	(none)	(none)
		2	12,723	118
North-West	State Private	2	2,120	36
		1	840	13
		3	2,960	49
South-West	State Private	1	2,640	40
		4	5,920	160
		5	8,560	200
Total	State Private	17	63,808 (43%)	668 (30%)
		86	82,788 (57%)	1,488 (70%)
		103	146,596	2,156

The difficulties of the woollen industry were greater than those of the cotton industry. No adequate reports about production have been given for 1949 to 1952, but it is known that the industry was maintained at fractional capacity, and the markets for its products were distinctly dull; quality was low. This industry was particularly dependent on the import of raw materials, there was a shortage of Australian raw wool. Two-thirds of the mills were only equipped for weaving, and the industry was generally defective in equipment for the earlier stages of processing.

Some mills made conversions: e.g. the Chung Hua in Shanghai converted 700 of its wool-spindles to spinning flax or hemp, the Jen Li in Tientsin converted 70% of their machines for making rugs to other industrial purposes, and some clothing-makers also turned over to "other industrial" products. The figure of 70%, for these big mills, may be significant of the proportion to which the raw material was in short supply.

Indigenous wool production, in the North-West, North-East and North, did not average more than 85 mn. lbs. a year, and was all of very low quality. It largely supplied the needs of the rug and carpet industry of North China, but covered only about 20% of the whole needs of the industry in China<sup>(8)</sup>.

The industry was very depressed in June 1950, when an All-China Woollen and Hemp Industries' Conference was called at Peking, which passed resolutions on standardisation of operating methods, quantity and quality of products, and unification of the industry<sup>(9)</sup>.

From this time, the export of wool was restricted, prices stabilised, and the import of foreign wool permitted on condition that an equivalent amount of finished goods were exported in return. The central Ministry of Textile Industry and its Administration in East China gave some orders to private mills for army uniforms and blankets, solving—according to official reports—some of the difficulties of private mills which had suspended production.



The policy on "readjustment" of relations between state and private mills was to enable the private concerns to maintain production as far as possible, while improving techniques adaptable to the use of home-produced wool.

Thus the woollen industry lagged very much in this initial period of rehabilitation; its further course will be examined later, when we deal with the period of the First Five Year Plan.

FLAX AND HEMP

Hemp, flax, jute and ramie of various types are largely grown in Chekiang, Kiangsi, Kwangtung, Szechuan, and Heilungkiang. Before the war, the total acreage under hemp and flax was estimated at 3.8 million mow, with an output of about 4 million piculs a year. Out of this about 400,000 piculs of raw material and 32,000 piculs of woven fabric were exported, leaving about 1.2 million piculs of raw material and 96,000 of woven fabrics in home consumption<sup>(10)</sup>.

Government policy tried to encourage the export of hemp and flax, after the Revolution. But home supplies were altogether insufficient, and a great effort was made to expand the acreage, in all the producing districts. The following details are given.

In Chekiang, the acreage under these crops increased as follows:

1950 .....	190,000 mow
1951 .....	369,000 "
1952 .....	1,100,000 "

In Kwangtung the target for planting was an acreage 31% greater in 1951 than the actual 119,000 mow in 1950, and 40% greater in 1952<sup>(11)</sup>.

Before the Revolution there were only two Gunny-bag factories in China, with a total output of 1 to 1.2 mn. bags a year; 25 mn. bags had to be imported annually<sup>(12)</sup>. New plants were established rapidly in the growing areas, and the old plants elsewhere reconditioned and expanded. There were the following plants in 1950:

East China .....	8 factories, producing gunny bags and linen.
North " .....	1 factory, producing gunny bags and linen.
Central-South ....	2 factories, producing gunny bags only.
North-East .....	2 factories, producing linen only.

The annual output of gunny bags, at June 1950, was estimated at over 20 millions. By 1952 it had increased slightly, but apparently not greatly, over 1950—though the index for 1952 is given as 800 (1949 = 100). The production of linen fabrics might have reached, according to various statements, anything between 20 and 30 million yards a year.

Statistics and statements are extremely confused between the various commodities and types involved, in these coarse fibres. Obviously however the effort made in the rehabilitation period, though considerable, was very inadequate to the needs of an industrialization policy, and this is another field in which China's economy, from the viewpoint especially of foodstuffs and general light industries, is absolutely handicapped. Adequate provision for the needs involved, on a self-sufficiency basis, would require a large investment (in producing the required crops, and adapting these softer-fibre materials to packing-material and other uses).

It might be immensely cheaper and more rational to depend on imports of harder fibres for bags, etc.; in the

free world, flax and hemp have lost ground to a vast extent to the cheaper and easily available fibres which are highly competitive with them. This is one sphere in which self-sufficiency was initially pressed in China, at high real (or ultimate) cost. These being essential materials, especially from the point of view of a large agricultural programme—including increase in the food and raw material output, and better "mobilisation" of it in the hands of the State, envisaging ultimately the supply of a larger urban population, with industrialization—there naturally develops pressure to import jute etc. from South Asia; at the same time, this item (packing materials) appears to be one of those in which China might supply Russia; and there may be a competing pressure for China to develop as a supplier of the Soviet Union, in this sector.

KNITTING, DYEING AND FINISHING

The picture of the basis of the textile industries is not complete without a consideration of the knitting, dyeing and finishing aspects. These branches or stages of the industry have been comparatively "modernized" for some 30 years past in China; but the unequal geographical distribution is again marked, with marked concentration in the coastal cities.

TABLE VII

Location of knitting and finishing plant  
(percentage of numbers of factories)

	Knitting	Dyeing and finishing
Shanghai .....	38.5%	24.7%
Tientsin .....	—	18.8%
Tsingtao .....	—	9.2%
Canton .....	54.6%	—
Other regions .....	6.9%	47.3%
	100 %	100 %

(Source: Jen Min Jih Pao, Peking, 10/8/50).

The knitted goods industry, including singlets, hosiery, towels, scarves, bedcovers, etc., was in a severe slump in China in 1950, with heavy "over-production due to dull sales". Many factories were forced to suspend or curtail production. In the late autumn of 1950, sales improved, reportedly as the result of the improved harvest, when sales in the agricultural districts improved particularly in respect of goods in this category.

The knitting mills at Shanghai and Canton were then unified under the National Supply Corporation, which directed steps towards planning of output, rationalization and improvement of management. Subsequently, the smaller mills were similarly "coordinated" and directed to improve their production both quantitatively and qualitatively.

The same procedures were applied in the dyeing and finishing branches, in the same period (1951 and 52). But in this case there was an extreme shortage of dyestuffs and other chemicals, formerly imported; a "drive" was made to impose "a distinct change, to use indigenous dyestuffs and many other substitutes".

No significant details seem to be available; but it appears clear that readjustments fully occupied the period 1951 and 1952, and the position was greatly improved by 1953<sup>(13)</sup>.

SILK

Silk must be specially considered. Anciently a pre-eminent product of China, it has experienced unpleasant vicissitudes in modern times, and its future is generally uncertain.



Before the War, about 150,000 piculs of raw silk were produced in China, of which about 100,000 were exported. After the War, these figures were down to about 15,000 and 6,000 respectively. At the Communist occupation, the silk-reeling mills—situated in Kiangsu, Chekiang and Kwangtung—were practically at a standstill.

In the famous silk-producing area's manufacturing centre, Hangchow, there were only 14 reeling mills in operation in 1949. In the spring of 1950, the government gave orders for processing work, and as a result the number of reeling mills in operation rose to 25<sup>(14)</sup>.

But the general crisis of the industry continued through 1950. Many more silk reeling mills suspended operation; while no less than 95% of the silk-weaving mills applied for permission to go into liquidation.

The government China Silk Corporation then came into action, distributing processing orders and State purchases of finished products. 158 silk mills in East China were given processing contracts to occupy one-fourth of the capa-

city of each mill. A collapse was thus avoided, but hardship was general.

The industry was clearly taken to be export-oriented, rather than for the home market. The 158 C.S.C. processing contracts to mills in Shanghai and Chekiang, mentioned above, in so far as they related to weaving operations, were to produce 15,000 bolts of silk piece-goods for export, during the period July 1949—May 1950<sup>(15)</sup>.

The subsequent procedure, on entering the planning, rationalisation and coordination stage—proclaimed as a directive at the E. China Silk-Weaving Technical Conference on November 20th, 1950—was to improve the industry's position, starting at the weaving stages, by improving the quality of raw materials (the raw silk quality was to be "raised two grades"), organising the large-scale State purchase of cocoons and raw silk, and sharing out the reeling contracts among private filatures to the best advantage (of the State).

Improvement followed. There are numerous and somewhat glowing references to the export of silk goods to the "Soviet Union and the other People's Democracies" in this period (no other destinations are mentioned till much more recently) suggesting that this was an important item of export to the Soviet Bloc. But the internal market was also increasingly well supplied.

\* \* \*

The general pattern of the initial rehabilitation and reconstruction of light industries in China, under Communist rule, is already broadly clear from the above general view. This relates only, of course, to the textiles specified. A subsequent article will discuss other "light" industries, for the same period; then, later, the account will be taken further, through the subsequent stages of the First Five Year Plan, up to the Second Five Year Plan now in preparation.

#### NOTES

- (1) Far Eastern Economic Review, Dec. 1950.
- (2) Ta Kung Pao, Hongkong, 8/8/53.
- (3) Yuan-li Wu, "Economic Survey of Communist China", p. 305.
- (4) Far Eastern Economic Review, July 19, 1956. Report on the National Economy, State Statistical Bureau, Peking, 1956.
- (5) Ta Kung Pao, Hongkong, 1/10/53, Far Eastern Economic Review 13/10/53, Shih Shih Shou Tse 1955.
- (6) loc. cit. (2) above.
- (7) Hsin Wan Pao, Hongkong, 15/5/53.
- (8) "China's Sheep and Wool", by Hsu Chiu-kuang (in Chinese), Commercial Press, p. 100.
- (9) Kwang Ming Daily, Peking 22/10/52, Far Eastern Economic Review, 28/8/52, p. 228.
- (10) "New China's Industrial Path" (in Chinese), Dec. 1950. People's Daily, Peking, 11/6/50.
- (11) "Chief Plants of China" (in Chinese) by Y. W. Wong, Commercial Press.
- (12) Ta Kung Pao, Hongkong, 26/4/52, and op. cit note (11).
- (13) Ta Kung Pao, Hongkong, 23/8/53.
- (14) Ta Kung Pao, Hongkong, 25/8/50.
- (15) Far Eastern Economic Review, Hongkong, 3/5/51, p. 570.



## PEKING'S PROBLEM OF NEW CONFLICTS

Observers, deprived of even a summary of Chairman Mao Tse-tung's speech, have been scrutinising the brief reports of the speeches at the session of the PPCC which followed in the hope of discovering the main lines of his approach to present problems. Since he emerged from his long silence and dramatically asserted his leadership in the summer of 1955 his position as the real leader of the nation has never been questioned. While other leaders were full of doubts and dismays, he called for a bold leap into the future, and the "high tide" of socialisation in both agriculture and industry and commerce followed. It is known that his speech to industrialists and businessmen, when he called them together, before the order was given to transform their enterprises into joint affairs at the end of 1955, was just as influential in effecting a smooth conversion of these enterprises. His statement at that time has never been published.

All that is officially known of Mao Tse-tung's speech at the end of February is its title "Contradictions within the ranks of the people" which seems to conform to previous high doctrinal and policy disquisitions. The main theme on this occasion as at the last National Party Congress was almost certainly that of maintaining unity among all Chinese except irredeemable counter-revolutionaries, in the construction of a strong, Socialist China. It is a policy which has to all intents and purposes brought over to their side—or rather to the side of a peaceful agreement with the Nationalists in Taiwan—most if not all the Generals and high officials of the former Nationalist regime. To that extent potential enemies have been converted into actual friends and the Nationalists deprived of the supporters they would badly need if they ever really hoped to invade the mainland. It does not follow, of course, that they would not rush to welcome the Nationalists, though those who stayed behind in China and did not make their way with the Nationalists to Taiwan rather lost caste—especially those who, like Generals Fu Tso-yi and Chang Chih-chung, handed over their armies bag and baggage to the new regime. Moreover, at the moment they are playing a purely pro-Communist role in exhorting their former colleagues to make terms as they had themselves done with the mainland rulers.

Marxist theory enables the regime to adopt a united front policy that might otherwise be called sheer opportunism. Contradictions (on which Mao Tse-tung is a special authority) are now divided into benign and malignant of which the former can easily yield to Marxist treatment of struggle, criticism and self-criticism, just as similar contradictions within the Communist Party are ironed out. They must not identify themselves with those who are avowedly hostile to the principle of unity and of course to the CCP. Actually it is merely adopting, under more pretentious adornment, the method invariably used by the Nationalists to unite the country behind them—and against the foreign "imperialist."

At the same time there have been calls for ideological re-education of all ranks and bodies of the Party and the Youth League, and even the pupils of the primary and secondary schools to try and keep alive the fires the Communist revolution originally lit among the young. It is the second rectification movement conducted by Mao Tse-tung. As one speaker is quoted as saying "many students living in happiness cannot understand the darkness of the old Society and cannot comprehend deeply the hardness of the revolution." Mao still adheres to persuasion rather than coercion as the main method, and in this he is supported

by the events in Central Europe last year. But conditions are severe and they may well presage severer methods and even the reversal for the present of the trend toward liberalisation. But the bourgeoisie cannot hope to fare better than the Party folk. But there is unlikely to be anything in the nature of a purge, though in the name of economy the establishments are to be drastically reduced—at least on paper. But Mao Tse-tung did reassure the members of the PPCC that the policy toward the intellectuals will continue, though some of the Communists in other countries disapproved of this and some comrades even in China had doubts about it. But that the policy has proved beneficial cannot be denied even by those most hostile to it. And as a result, though there were waverings in the ideologies of the intellectuals of all countries, after the Hungarian incident, in China, the repercussions were mere ripples on the surface of a pond and never resembled "waves leaping up to Heaven."

Lu Kan-ju, one of the speakers at the PPCC, is quoted as having said that the Party had posed the slogan of "political freedom and organisational independence"—an apparently new phrase which has been taken by some to mean that the liberalising trend may be carried a little further. Certainly the Communist leaders have been warned and seem to realise that they must keep the intellectuals contented and the people happy in the next few critical years of the industrialisation and development programme.

One of the points on which emphasis was laid last year was the improvement of the conditions of the workers and peasants. The regime has kept its ear to the ground. When there was an outcry about the lack of new housing for the workers, who had been swarming into the cities pari passu with industrialisation, the Government switched to housing and while houses were built on a considerable scale, wages were also raised an average of 14 per cent. The people had plenty of needs, and now they had more money to satisfy them, with the result that a spending spree soon led to shortages and to queues, wages alone were not enough: the workers wanted the goods, and were angry when they couldn't get them. Capital construction in 1956 totalled more than 14,000 m. yuan (about £2,000 m.). This year it will not be quite so high but will still, at 10,000 m. yuan, be higher than in any year except 1956. The money will be found by more savings and greater economy everywhere in the administration and even in the forces. It is assumed there will also be a scaling down of targets when the final draft of the second five year plan is placed before the 1958 National People's Congress.

Chairman Mao's appeal for "frank and honest discussions" between Communists and representatives of the former bourgeoisie to wipe out the growing contradictions in the new society—which many Chinese officials likened to M. Khrushchev's speech against Stalinism at the Soviet Party Congress a year ago—was also reflected in an article by Mao Tun, the noted Communist author and head of the Secretariat of the Union of Chinese Writers, in the People's Daily. He told authors that the Party slogan permitting "a hundred flowers to blossom and a hundred schools to contend" still holds good but writers were warned they must read up on Marxism-Leninism and raise their political level—though most authors and poets hate politics and are as ignorant of that art as any peasant. But his directive had additional point in that a group of critics—whose article in the People's Daily on January '7 tended to imitate those who hounded down Hu Feng (Chen Chi-tang and three other



# THE CHARTERED BANK

## STATEMENT BY THE CHAIRMAN, VINCENT ALPE GRANTHAM, ESQ.

(To be submitted at the Annual General Meeting, 3rd April 1957)

### The Constitution of the Bank

Following the adjournment of the 102nd annual general meeting of the stockholders held on the 4th of April last an extraordinary general meeting was held to adopt the draft of a supplemental and consolidating Royal Charter which was the subject of a petition from the Court of Directors to Her Majesty the Queen in Council. The new charter was granted by Letters Patent issued under the Great Seal on the 25th June 1956 when the provisions of the charter and the annexed bye-laws and rules became effective.

Clause 3 of the new charter empowered the Bank to change its name, and advantage of this provision was taken on the 5th of December when a special resolution, passed by an extraordinary general meeting of the stockholders and subsequently sanctioned by the Lords Commissioners of Her Majesty's Treasury, shortened the name of The Chartered Bank of India, Australia and China to The Chartered Bank. The change was brought about with a minimum of difficulty and it has been warmly welcomed by the stockholders, our customers, our banking correspondents and our friends everywhere.

### New Branches

The Bank has purchased the goodwill of the business in Pakistan conducted by the Allahabad Bank Limited and on 1st January last the branches of the latter institution at Lahore and Lyallpur were incorporated in the branch system of The Chartered Bank. The branch of the Allahabad Bank Limited at Karachi has been merged with our own branch in that city.

To meet the growing need for banking services in North Borneo new branches have been opened during the past twelve months at Lahad Datu and Tenom. The former mercantile agency at Kudat has been replaced by a branch of the Bank.

A new branch has been opened in Ampang Road, Kuala Lumpur, to serve expanding commercial development in that district of the federal capital.

### The C.B.I. Development Corporation Limited

A year ago I intimated that the Bank had promoted a wholly-owned subsidiary company, The C.B.I. Development Corporation Limited, to engage in medium-term and similar credit operations connected with economic development in the eastern countries to which the overseas representation of the Bank extends. During the first year of the Corporation's existence much time has been spent in research, investigation and the formulation of policy. The intensification of credit control in the United Kingdom has inevitably curtailed some of the opportunities open to the Corporation for lending in sterling. This and other factors, notably the necessity in most territories for registering the Corporation as a financial institution, have tended to circumscribe the framework within which the Corporation can function but

writers)—were hauled over the coals and told not to do it again. This article threw cold water on the many intellectuals who had been inspired and invigorated by the new liberalisation policy, and, said Mao Tun, their contention that the militancy of literature and art had been weakened by the new policy was untrue. Every care should be taken, he added, to avoid reverting to the old doctrinaire way of criticism. It looks almost as if the Communist hierarchy are dividing between liberals and reactionaries!!

it is now possible to discern the pattern of future operations and I am quite sure that our new venture will fulfil a useful and creative function and bridge the gap between the short-term financing of trade and industry by overdraft, and the raising of capital from the public. I would like to say that I am quite satisfied with the initial experience of our Development Corporation.

### The Bank's Balance Sheet

The Balance Sheet total is very slightly lower than last year. Due to higher rates available in the London market, our Fixed Deposits are £8 millions lower. This is set off by a smaller holding of bills of exchange and a reduction in our Cash in hand and at call.

Owing to the insistent demand for finance in those countries where in the rapid course of their development the pressure on local resources is much in evidence our advances to customers have increased by £12 million and this has been largely met by the non-investment of maturing government securities.

A part of the increase under the heading of Advances is represented by pre-payments under American-Aid programmes.

Our Acceptances now exceed £10 millions and indicate the growing popularity of this form of finance by Far Eastern merchants and bankers.

We continue to show our investments in government securities at market rates. For the first time we are publishing a consolidated balance sheet which includes the figures of our wholly-owned subsidiary companies.

### Profit and Loss Account

Despite the continued upward trend of working costs, especially salaries and wages, our earning capacity improved. The Bank's policy has always been to keep a liquid money position in London and we have made full use of the higher interest earnings available in 1956. This explains the increase in our net profits from £759,340 in 1955 to £800,808.

The Bank paid an interim dividend in September last of 7½% less Income Tax, absorbing £150,937 and it is now proposed that out of the balance available a final dividend of 7½% of paid, costing £150,938 making a total distribution of 15%. It is proposed to repeat the allocation made in each of the past six years to Bank Premises and Furniture Account, the Pension Fund and the Widows' and Orphans' Fund of £200,000, £125,000 and £20,000 respectively. It is proposed to transfer £150,000 to Contingencies Account and to carry forward a balance of £409,808.

### OVERSEA SURVEY

In most of the statements I have circulated to the stockholders since the end of the war I have referred to the surge of Asian nationalism and to the significance of this for the Bank. The trend continues: Malaya and Singapore are moving rapidly towards political independence within the Commonwealth and a general election in Ceylon has returned to power a government pledged to lead the island to a more clearly defined sovereignty. The repercussions of such political movements are felt at every point in our extensive system of branches. They affect vitally our relations with our Asian employees; they influence the selection of business risks and circumscribe the deployment of our resources.



Although our representation in the Middle East does not extend west of Aden Colony there have been throughout the territories further east reactions to the crisis which arose in Egypt a few months ago. Fortunately Britain has accumulated down the years a large fund of goodwill in the minds and hearts of the peoples of Asia and it would appear that notwithstanding widespread expressions of sympathy with Egypt that fund has been drawn upon to a much smaller extent than many critics of the British Government may have feared. The inner history has yet to be written but it is clear even now that there is a greater understanding in the world of what may have been behind our country's action.

In the East our political role is obviously changing but we can take credit for having created a defensive framework within which political independence, economic freedom, personal liberty and respect for human rights can take root.

Quite surely British endeavour in the East is nowhere at an end; it is everywhere in progress.

### ADEN

Early in the year political unrest and a series of strikes were sources of disturbance to trade, but on the whole Aden enjoyed considerable prosperity until August, when political events in the Middle East caused some diversion of shipping round the Cape route. Up to the time the Suez Canal was closed Aden's overseas trade was running at much the same level as in 1955, but it has been drastically reduced subsequently, the tonnage handled by the port and the bunkering trade both showing marked decrease. The tourist traffic, an important source of local prosperity, is now at a standstill, but trade in foodstuffs has not been seriously affected and there is considerable activity in the construction of new buildings and roads.

Our own new building at Crater is expected to reach completion in the next few months whilst we are also moving shortly into new premises at Steamer Point which are much more suitable than those now occupied. When the Canal reopens and given reasonable stability in the Middle East, there are grounds for hoping that the steady consolidation of our business in Aden, which has been taking place ever since the Bank opened there a few years ago, will show satisfactory results.

### INDIA

Last year I commented on the draft outline of the Indian second Five Year Plan, whose major objectives are rapid industrialisation—particularly the development of heavy industry—and the expansion of opportunities for employment. The aims of the first plan were relatively modest and most of its objectives were reached or even exceeded. The second plan is more ambitious. Total capital expenditure by the central and state governments over the five-year period 1956-60 is to be more than double what was spent during the first plan. Already in order to carry out the plan in its existing form and without expanding its scope, rising prices both in India and abroad have made it necessary to revise the total expenditure in the public sector to Rs.5300 crores from Rs.4800 crores.

It is open to question whether the planners have not set their sights too high for, vital and urgent as it may be to provide for the steadily increasing population and to achieve an all-round rise in the standard of living, no Five Year Plan should be allowed to dominate an economy to the extent of threatening it. This may be what is happening in India today, for it is significant that large purchases of steel and machinery have played their part in allowing imports far to exceed exports in value during recent months, thereby running down foreign resources to a level that gives little or no reserve for the further purchases of capital equipment envisaged in the new plan. There must always be misgivings about an economic plan which, whilst relying largely on deficit financing and external aid, takes no account of or leaves little leeway for adverse internal factors in

agriculture and industry and still leaves, as we have seen, a gap of Rs.400 crores in the financial resources available in the public sector.

Additional taxation is being imposed to help finance the plan, but it would be well to recognise that more and more penal taxation may defeat its own ends for so many limitations surround the private investor today in India that it is, unfortunately, no longer clear how the skill and enterprise which is so necessary can be rewarded. Without fair rewards private enterprise cannot be expected to function or to provide the very large sums of money that the plan expects from the private sector. Heavy taxation too in itself is going to do little to halt the steady inflationary tendency for although the money supply rose less in 1956 than in the previous year the wholesale price index went up 13 per cent on the year. Continued and increasing inflation could endanger the whole plan. That the authorities are aware of this is encouraging for, commenting in the draft plan on the difficulties of financing in part such an ambitious programme by deficit financing, the sponsors admitted that the stepping up of investment might have an inflationary impact, particularly if a relatively high proportion of the expenditure were found by an increase in the creation and supply of money.

As savings are not keeping pace with industrial expenditure there is already a woeful shortage of investment capital and more and more strain is being put on the banks who, whilst unable to attract sufficient extra deposits, are being faced with demands for fresh or increased facilities, and we for one have reluctantly been unable to entertain many of the propositions placed before us. The advances of the scheduled banks in India have already reached unprecedented levels and the average ratio of advances to deposits of all the scheduled banks is now in the region of 70 per cent. This has necessitated increasing use being made of the facilities provided by the Reserve Bank of India under the Bill Market Scheme introduced by them in 1952. Discussions have recently taken place in Bombay and Calcutta between the banks and the Finance Minister to find other means of alleviating the situation but the problem is extremely difficult as the Indian authorities have stated that the tightening of bank credit is one of their anti-inflationary measures.

In the meantime efforts have been made by the tea industry to expand its export trade and progress has been made in this respect. Prices in the international tea markets were lower on average earlier in the year but rose substantially later owing to the situation in the Middle East. The jute industry has been passing through a difficult period owing to over-production and lack of demand, especially for heavy goods, the prices obtainable for finished goods not having kept in line with the rising cost of raw jute and it became necessary owing to the accumulation of stocks to resell by stages those bales which I mentioned last year had re-started production. Towards the close of the year there was an improvement in jute exports at a time of year when demand normally declines and stocks showed a tendency to fall.

I hope that I have not sounded too pessimistic a note. India has an impressive reserve of labour and wealth which, deployed advantageously, could result in a steady improvement in the welfare of the people. It would be tragic therefore if this desirable objective were not attained because of too rapid economic development being attempted without regard to monetary stability. Successful progress and development must depend to a great extent on wise counsel at the centre and on the administrators showing a realisation of hard facts and a readiness to meet with sound and practical policies any distortions that may arise in the economy.

### PAKISTAN

The predominant feature of the past year in Pakistan has been the shortage of foreign exchange and without assistance from the United States the country's position would



be far from happy. Early in the year it had appeared reasonable to assume that after an extended period in which the balance of payments had been under continuous pressure as a result of the industrial development programme, Pakistan had at last turned the corner. The devaluation of the Pakistan rupee to parity with the Indian rupee in August 1955 helped to stimulate sales of the country's staple exports in international markets and was an important factor in the substantially increased payments surplus for the year 1955-56. In introducing the budget last March the Finance Minister stated that the first phase of industrial development had been completed. It indeed appeared that a period of consolidation was at hand, inasmuch as for the first time since Pakistan came into existence no new taxation was imposed and some relief was given.

By October, however, it was clear that the country was once again facing a severe food crisis owing to deficiencies in the rice and wheat crops. This necessitated considerable imports of food grains into both East and West Pakistan and it will clearly be necessary for the authorities to take steps to encourage an increase in food production if this is to be avoided in future. The government, however, is fully alive to this need as the recently published Five Year Plan gives priority to agriculture and to an extension of irrigation facilities, drainage and flood control, whereas in the past the emphasis has tended to be more on industrialisation.

The general objectives of the plan are to raise the living standards of the population; to improve the country's balance of payments by increasing exports and by producing at home substitutes for imports; to create opportunities for employment and to accelerate the rate of development, particularly in East Pakistan and it recognises the interdependence of the different sections of the economy and the need for their integrated development. Expansion is to take place in the output of such products as cement and jute goods, and the production of fertiliser is to be started. Although in connexion with the plan only a modest degree of deficit financing is intended, it is slightly disquieting when viewed in the light of the substantial expansion which has taken place in the note issue during the past year.

Meanwhile encouraging features have been the substantial rises in the value and volume of exports of Pakistan's raw jute and raw cotton during the past season. The country's new manufacturing industries have also expanded their sales overseas and there have been notable increases in exports of cotton yarn and cloth and jute goods. It is estimated that by 1960 Pakistan should be in a position to supply about one-third of the world's total requirements of jute goods, and the cotton industry is already taking advantage of the absence of export duty on its cloth and yarn to widen the range of its foreign markets. On the other hand the continued restrictions on imports have led to price rises in domestic markets as stocks of imported goods have run down. The country has undoubtedly been passing through a most difficult period, but it is encouraging to learn from the Finance Minister's recent speech introducing the budget for the coming fiscal year, that there was a small surplus on the balance of payments for 1956 as a whole.

In a not uneventful political year the outstanding event was the assumption of the premiership by Mr. Suhrawardy who, since taking over the reins of government, has shown himself to be a determined leader. He will need this attribute to the full to enable him to deal with the various problems which must confront him in the near future.

#### BURMA

It is pleasing to report that last year Burma succeeded in disposing of practically all its surplus stocks of rice, part of which had been carried forward from as far back as 1953. Rice exports for the year amounted to some two million tons, the highest total recorded since the war, although well below the pre-war level of shipments. Apart from increased rice shipments, exports of timber and non-ferrous metals have improved slightly, but not sufficiently to make any significant contribution to the country's exchange reserves.

Burma should shortly achieve a large measure of self-sufficiency in petroleum products and the saving in foreign exchange will be appreciable. I stressed last year the importance of increasing the export of commodities other than rice. This would not only develop valuable sources of increased foreign earnings but would also have the effect of broadening the basis of the country's economy and rendering it less dependent on the international rice market.

The improvement in the country's trade situation and official measures such as severe restriction of imports and the pruning of government expenditure have been the major factors which have contributed to the improvement which has taken place during the past year in Burma's exchange reserves which showed a satisfactory increase over the year, but there is still little or no scope for their reduction for the purpose of financing the government's economic and social development plans. In these circumstances and as Burma lacks investment capital, aid from abroad is clearly desirable, and a loan from the World Bank of U.S. \$25 million has been arranged and will be used for financing projects in the public sector.

Hopes were entertained that capital goods and equipment would be forthcoming from those countries of the Soviet bloc with which Burma concluded barter agreements for the disposal of its rice. So far these agreements have not proved a success and on the whole Burma has received in exchange for its rice, goods of inferior quality, expensive in comparison with similar merchandise supplied by the free world and representing in the aggregate only part of the value of the rice supplied. In theory half Burma's exportable surplus of rice during the present year, which is expected to be much the same tonnage as in 1956, is committed for shipment on barter account, but efforts are being made to scale down this commitment in order to supply the requirements of buyers in the free world, who pay for their supplies with exchange which the Burmese authorities can use to finance their purchases in competitive international markets.

Import restrictions and the increase in the note issue arising from the budgetary deficit have been the major causes of the steady rise in prices. In framing the budget for 1956-57 therefore the government has very sensibly slowed down its development programme in an effort to keep expenditure within the limits of revenue. This is a welcome sign that the authorities realise the dangers of paying for development by means of deficit financing, and although the aim is still to stimulate industrialisation, priority is now to be given to the development of those industries which will save foreign exchange. At the same time the increased expenditure on the security forces, which is indeed essential if law and order are to be restored, places a serious strain on the country's resources and unless order is maintained the looked for improvement in the country's production, and hence its general economy, will not be realised.

#### CEYLON

The latest figures available show that last year the surplus on Ceylon's overseas trade was running at a substantially lower level than in 1955. Imports were higher in aggregate value owing largely to increased purchases of capital goods, while exports declined in value, much the same volume being shipped abroad as in 1955, but in the case of tea, which accounts for the bulk of Ceylon's export earnings, at a lower average price.

A number of factors have militated against Ceylon's overseas trade surplus attaining the record level it reached in 1955. Adverse weather conditions and particularly the most severe drought the island has experienced for fifty years caused a fall in coconut production and except in the western districts a deterioration in the quality of the tea output. Frost conditions which occurred during a period of exceptionally cold weather in February also affected tea production adversely. Later in the year events in the Middle East dislocated shipping schedules and made it necessary to



direct shipments round the Cape and this, in conjunction with the congestion in the port of Colombo caused by labour trouble, had a detrimental effect on Ceylon's external trading position. It was particularly unfortunate that the benefits which were expected to materialise from the completion of the greater part of the Colombo Port Development Scheme were largely lost for the time being owing to strikes and similar manifestations of labour unrest.

A new price agreement was negotiated in December in connexion with Ceylon's five year rice-rubber contract with China and under its terms Ceylon has made some price concessions for rubber shipments to be made this year as compared with the scale of charges operating in 1956. Nevertheless China is still to pay a premium over the international market price for the 50,000 tons of sheet rubber which Ceylon has once again agreed to supply in exchange for 270,000 tons of rice from China. This is a satisfactory bargain for the Ceylon rubber industry, inasmuch as China is now free to purchase rubber from Malaya. This is the final trading year of the five-year period covered by the original agreement between Ceylon and China, but both countries have indicated that trade between them in rice, rubber and other commodities will continue even after the agreement expires. This is certainly desirable from Ceylon's point of view for her rubber industry has now become largely dependent on Chinese purchases. China is now absorbing almost the whole of Ceylon's exports of sheet rubber and about two-thirds of the island's total rubber shipments to all international markets.

Introducing the new government's first budget in July, the Finance Minister foresaw a fall in Ceylon's export income. In view however of the satisfactory level of the external assets the government was satisfied that the country could afford a reasonable deficit on the budget, which would be met by domestic borrowing and by running down government cash balances. In the government's view the most serious problem that faces the country is unemployment and the urgent need to expand opportunities for employment has led the government to decide to accelerate the rate of development. I mentioned last year the six-year programme of investment which the previous government had drawn up. The extension of this programme is now being discussed by the newly appointed National Planning Council which had its first meeting in November.

The Finance Minister indicated that as domestic saving and investment were insufficient to ensure a progressive improvement in the population's living standards, foreign capital would be welcomed. An assurance was also given to private enterprise that it would receive full support from the government in the role assigned to it. However, the recent proposal by a member of the government to nationalise the tea plantations on what the owners consider to be harsh terms, although it has not so far been formally adopted as government policy, must inevitably impair the confidence of the potential overseas investor, and thus seriously impede the future economic development of Ceylon, on which the raising of the living standards of the population depends.

#### MALAYA

Once again both the Federation of Malaya and Singapore have enjoyed a prosperous year. Taking both territories together overseas trade rose in value to a level only previously exceeded in 1951 at the height of the Korean war boom. However, owing largely to the increased quantities of capital equipment and building materials purchased abroad in connexion with development schemes, imports rose at a higher rate than exports and in consequence the favourable trade balance at M\$12.6 million was substantially lower than in the previous year. It also has to be recognised that although the continued improvement in the level of overseas trade is impressive, expansion in trade and industry, particularly in Singapore, has to some extent been curtailed during the year owing to political uncertainty and labour unrest.

Such uncertainty is rather to be expected at this stage in the progressive evolution of both territories towards in-

dependence. The governments in both the Federation and Singapore have clearly indicated that they recognise the importance of attracting capital and enterprise from overseas to assist the economic development of their respective territories. In their fiscal policy so far they are making considerable efforts to ensure that conditions are sufficiently favourable to induce continued investment from abroad now that they are on the threshold of independence. These considerations were summed up by the Finance Minister of the Federation in his budget speech in November when he said, 'It is not proposed to change the rate of tax on companies because it is the policy of the Government to attract investment and the establishment of new enterprises in the Federation and the maintenance of a favourable taxation position is conducive to that end'. Similar views have been expressed by the Singapore Government, and it is fair to say that they indicate a refreshingly realistic outlook which I hope will meet with an encouraging response.

One important matter which still gives rise to uncertainty is the question of the future of the currency. This is linked to a large extent with the recommendation, made by the World Bank mission in their report on the economic development of Malaya, that a central banking system should be established. I mentioned last year that preliminary inquiries into the project had been initiated by the two governments.

A report, which was published in June, set out the advantages and disadvantages of establishing separate central banks in both Singapore and the Federation, but as might be expected, it clearly favoured a joint central bank covering both territories. It pointed out that to institute at this stage separate central banks would involve the creation of separate currencies. As both governments wished to keep open the question of the future unity of the two territories at a later stage of political development, it was desirable meanwhile not to set up two central banks until political uncertainty was resolved. To do so and therefore to create separate currencies now would not only render it more difficult to unite the two territories in the future, but would also disturb confidence in the Malayan dollar, a currency whose par value with sterling had remained unchanged for fifty years and had built up therefore, to quote the report, 'a tradition of stability equalled by very few currencies in Asia or elsewhere'.

In the light of the report, the two governments have agreed that a 'central banking mechanism' should be established but have not yet decided the form it is to take. It is possible that a final decision will await the outcome of the constitutional changes which are impending this year, but already the governments of North Borneo, Sarawak and Brunei have decided to establish in due course a currency of their own which is to be independent of the Malayan dollar. It is to be hoped that there will be no further fragmentation of the existing currency area in which first the Straits dollar and subsequently the Malayan dollar have provided a stable and effective medium of exchange.

Last year Malaya's rubber exports at 983,281 tons were slightly lower than in 1955. Early in the year prices in the international market fell and by May natural rubber was no more expensive than the synthetic product. In some respects this was surprising as authoritative estimates had suggested a fine balance between world production and consumption and stocks were tending to fall in the early part of the year. The announcement of the lifting by the governments of Singapore and the Federation of the ban on the export of rubber to China, which had been imposed during the Korean war, was the occasion of a rally in markets, but in fact no rubber was shipped to China from Malaya until late in the year. Nevertheless Russian and Chinese purchases, as well as the international political situation, were major factors in the rise in prices during the second half of the year.

Malayan production of tin-in-concentrates in 1956 reached record levels for the second consecutive year and at 62,295 tons was the highest output since 1940. Exports at 73,278 tons showed a small increase over the previous



year. Except in February when the threat of labour trouble in the Malayan tin industry temporarily restored the market, tin prices tended to fall until May. The decision of the United States Government to keep the Texas smelter operating until January 1957 and the final ratification of the International Tin Agreement led to an improvement in the market which tended to move upwards until late in the year. The International Tin Agreement which I mentioned last year came into force in July and steps have been taken to set up the buffer stock with contributions, which have so far been entirely in cash.

In Singapore the revised budgetary estimates for 1956 showed a small surplus instead of the deficit originally anticipated but as in a number of recent years expenditure has been less than estimated. Allowing for a contribution to the territory's development fund, the estimates for the present year once again budget for a deficit but provided that present trading conditions continue it is hoped that revenue will exceed the estimate and in any case expenditure is again likely to be lower than expected. In the Federation on the other hand, the revised estimates for 1956 indicate that revenue has been slightly less than expected, owing largely to the lower yield of the export duty on rubber early in the year, and that expenditure has been substantially higher. The budgetary deficit for the year, approximately M\$90 million, is therefore more than double what originally was expected. As the government is budgeting for a deficit of M\$108 million in the present year it will be necessary to run down surplus revenue balances.

With the Federation of Malaya attaining political autonomy within the Commonwealth on the 31st August next and with Singapore looking forward to similar independence, we are, of course, already giving serious thought to the effect upon the present banking system of the changed conditions, and to the steps which may be necessary to meet them. I believe that we shall be able to rely upon a realistic approach by the two governments to economic and political problems and the banks can draw upon their experience in other territories where independent governments have been set up. Whatever the future may bring, it will be this Bank's policy to continue its long years of service to the two countries and to assist to the greatest extent possible in their economic progress.

#### NORTH BORNEO

North Borneo has now fully emerged from the post-war rehabilitation period and there is evidence in many directions of a well co-ordinated policy to develop within its means a well based economy which, given continuing peaceful conditions, augurs well for the future. A most important factor making for the general improvement is the remarkable change for the better in the labour situation, which shows a rise of more than 20 per cent of employed persons, although a larger and more permanent labour force remains an essential need.

In the field of communications much has been achieved by the construction of minor roads, the development of port facilities and the extension of air services.

The latest figures available show that North Borneo's external trade last year may well reach a record level, although the trade surplus for the year as a whole is likely to be less than in 1955. The expansion in imports is not entirely to be attributed to purchases from overseas suppliers of equipment, machinery and materials required in connexion with the territory's development programme, for there has also been a sizeable increase in imports of consumer goods.

Rubber continues to be North Borneo's major source of export earnings and shipments during 1956 are likely to amount to much the same total value as in the previous year. There is a welcome indication that the territory's overseas trade is growing somewhat less dependent on the fortunes of rubber in the international market and that other industries are now contributing to an increasing extent to North Borneo's prosperity. The government's rubber re-

planting scheme which I have mentioned in previous years has continued to make satisfactory progress. Copra exports were substantially higher last year and by the end of October had already surpassed both in volume and value the levels reached in 1955.

Although the timber industry still operates under difficulties, which include the remoteness of some concessions and the shortage of international shipping space, shipments have increased to a notable extent. The potentialities of the industry to the economy would seem to justify the effort being made to set it on a sound course.

Last August, Victoria, Labuan Island, was declared a free port in the expectation that it would regain its former importance as an entrepot serving the British territories in Borneo and a successful trade convention was held there in November.

North Borneo's prosperity continues to be reflected in its budgetary position. After meeting all ordinary expenditure and devoting M\$6½ million of the revenue to development schemes, it was estimated that the general revenue balance in hand would slightly increase over the year 1956. At its present level this balance constitutes a reserve to be used only in emergency and with government expenditure expected to increase this year and revenue to be rather lower than in 1956, it has been found necessary to increase import duties on tobacco and liquor to assist in meeting development expenditure estimated at some M\$19 million during 1957, a sum which is slightly higher than the average annual expenditure on development during the past three years.

#### SARAWAK

A significant step forward in political development was taken in Sarawak during the year by the grant by Her Majesty the Queen of a new constitution under which the new Council Negri will have an unofficial majority and by the holding of the first Municipal election in the Colony in Kuching.

Last year the Colony's principal exports, rubber, pepper and timber, fetched less remunerative prices in international markets than in 1955 and, despite an increase in the volume of exports, external trade fell in aggregate value. Although imports were slightly lower, the favourable trade balance at M\$12 million was substantially less than in the previous year.

In view of the importance of the rubber industry to Sarawak's economy as the major source of export earnings, the government's 1955 scheme to encourage by means of subsidies the planting and replanting of an increased acreage with high yielding stock was extensively revised last year and funds to finance it substantially increased.

Earlier estimates of the pepper crop suggested that it would fall considerably below the previous year's crop, but in the event both production and exports were higher in 1956 and the increased tonnage shipped compensated to a large extent for the lower prices in overseas markets.

The timber and in particular the ramin trade had a difficult year, but the government scheme for the restriction of the production of ramin met with some success in checking the fall in price and the value of shipments proved to be only a little lower than that of the previous year.

It is a commendable achievement on the part of Sarawak that up to the end of 1957 government will have made available from the territory's own resources approximately M\$110 million for development purposes without resort to borrowing. However, the Financial Secretary indicated in his budget speech in December last that the raising of loans to finance the necessary and well conceived development plan had become unavoidable and steps are to be taken to raise an external loan of M\$30½ million by stages to commence in 1958.

Sarawak may be counted fortunate in that it continues to be free from industrial, political and racial disturbances and, with a government very much alive to the need of



maintaining this freedom, the future apart from repercussions of unforeseeable world events should hold a good measure of progress and prosperity.

### INDONESIA

This time last year it seemed reasonable to take an optimistic view of the immediate future in Indonesia. The deterioration which had taken place in the country's economic situation since the collapse of the Korean war boom appeared to have been halted by the strong Masjumi-led caretaker government which had taken office in July 1955. Then too there seemed a determination on the part of leading politicians of all parties and senior government officials to give the Republic a good and stable government during the following two or three years in order to put the economy on a sound basis.

There was optimistic talk in some governmental circles of moving towards a free economy, but once again hopes have been dashed by a coalition government unable or unwilling to take realistic steps to come to grips with major problems. The result has been a rapid deterioration in the economy which has finally resulted in political unrest of a magnitude which might yet prove a serious threat to the structure of the constitution.

In the general setback that Indonesia has sustained it is very difficult to separate cause and effect. Perhaps in some ways the new coalition government was unfortunate in inheriting labour problems which should have been dealt

with by preceding governments, but nevertheless it did nothing to keep the demands of the labour unions, particularly the estate unions, within reasonable bounds and the resultant unrest and strikes must seriously have affected the volume of exports. That volume too was probably even more seriously affected by the smuggling of rubber and copra and it was not surprising, therefore, that 1956 turned out to be a disastrous trading year for the Republic even at a time when high world prices for its prime exports should have produced the opposite result.

The seriousness of this cannot be overlooked for in its turn it caused the foreign exchange holdings to run down to a dangerously low level and at the same time accentuated the already large difference between the internal and the external value of the currency. This in its turn stimulated the inflation which had already shown signs of getting out of hand and the deterioration in the foreign exchange holdings was inversely reflected in the increase in the note issue.

Ad hoc measures, such as the reintroduction of inducement certificates, 100 per cent pre-deposits for imports and a revised and drastically altered set of import duties and luxury taxes did nothing to arrest the trend. Having seen over a number of years, Indonesia's unsuccessful attempts to right economic ills by the imposition of controls and other expediences, which have invariably brought abuse in their train, it seems inevitable that sooner or later there

(Continued on Page 402)

## COMPLAINTS ABOUT QUEUES IN CHINA

A Joint Directive by the Party Central Committee and the State Council again called for the breeding of more pigs to relieve the pork famine. After seven years of glowing promises and great effort, the Communist functionaries are being asked some awkward questions by the patient public. The people simply cannot understand why it is that they are not faring better personally. Many still look back to the "good old days" of the Treaty Port Imperialists and Capitalists and sigh a little wearily that they were happier then, and life was far simpler and easier. This attitude of disillusionment (coupled no doubt with the sudden anxiety caused by the re-assertion of the downtrodden masses in Poland and Hungary) prompted the authorities in Peking to issue, through an editorial in the Peking People's Daily, a careful explanation of the whys and wherefores of the situation. They weren't building factories and opening mines so that a few people could make money and amass fortunes, as in former times. The ultimate aim was a much higher level of material and cultural life for the people. But the present industrial construction, with its emphasis on heavy industry, gave rise inevitably to certain contradictions between itself and the daily requirements of the people. Heavy industry was indispensable to the building of a basically complete industrial system, without which there could be no prosperity or power for the country. On the other hand the regime had to satisfy as much as possible the many proper requirements of the people in their daily living, and accurately set the proportion between accumulation and expenditure in the national income. "If there is any bungling in this respect, malcontent among the people will easily rise. It is our concrete policy to raise the living standards of the people gradually on the foundation of expansion of production and increasing productivity of labour." It goes on to show how sales of cotton cloth had been trebled in six years, retail sales of sugar increased by 163% and 50 million square metres of housing—equal to

2½ times the built-up area of pre-war Peking—erected; 1,300 more theatres and cinema houses had been built, workers' wages steadily increased and the income of peasants increased.

Then the argument went off on a different tack. China is a backward country with a low living standard. "It was not an isolated phenomenon before the Communist liberation that an 18-year-old miss went about without pants. Almost every year hundreds of thousands or more than a million people were starved to death or died of cold weather, and hundreds of thousands were homeless." Now there had been a fundamental change, with rapid progress in every field. An overwhelming majority of the people were well fed, warmly clad and accommodated. The era of misery had gone for ever, and no more need be said about these facts, which all could see for themselves. But it was acknowledged that this is but one side of the problem—and rather rosily out too. China still lagged decades behind, though production of steel had risen to over four million tons—still lower than the output of Belgium. The per capita output of the textile industry in China is lower than that even of India. But China was determined to catch up with others and for that reason had to set aside about 20% of the national income for accumulation of capital, so that it might be invested in heavy industrial and other construction for the expansion of reproduction. "We cannot allow an inordinate or excessive expenditure on daily consumption. That means that improvement of the livelihood of the people can be undertaken only gradually. The people must be clearly told that it will be impossible to resolve all their livelihood difficulties in the short space of a few years, or to satisfy all their various requirements at once."

A polite reader wrote to the Communist periodical "Current Events" in Peking pointing out that the people had to stand in a queue daily to buy grain, pork or even sesame cakes. Even to buy a few cents' worth of things at a



retail shop, they had to queue up and wait, both in the city and in the countryside. Naturally, as this took up all the time that might otherwise be used for rest or study, people began to complain. The shop assistants replied to the complaining customers that the queueing up was a good thing because it showed that the people's livelihood is improving as their purchasing power is rising. This sort of excuse evidently caused more irritation than ever, all the more so in that it was the stock excuse long the vogue among the functionaries and even the Party leaders. But the explanation given in some detail was more rational—and no tribute to the Communist system, whose deviations in certain cities and country towns created widespread disorganisation, confusion and unevenness.

In the industrial and mining areas, for example, the population is growing much faster than the commercial facilities, and money invested in capital construction is far greater than that in new shops and markets. Over 500 vegetable dealers in Peking itself were cut down during the "high tide" of transformation a year ago, and at one time five million cabbages had to be allowed to rot because there was nobody to deal with them. Moreover, the system of marketing is admittedly far too complex. Before the Communists took over it was simplicity itself. The producer brought his produce to the market, sold it to the middleman, who sold it to the customer. Now the State-operated, co-operative-run and State-private jointly-operated shops, to prevent mistakes and corruption, have laid down a list of complicated procedures "which are indeed not necessary." These procedures, it was added, were devised with no consideration at all as to whether they would cause inconvenience to the consumers. The customers simply don't have the time to spare, and less patience, to go

through all this rigmarole. In some general goods stores the system of the cashier's desk and the sales card helps things along, but in most cases the customer has to queue up three times before he or she can get the things they bought: first, to select what they want; second, to pay at the cashier's desk; and third, to pick up what they purchase against receipts of payment. In contrast to this time and patience-consuming labour, the usual practice used to be "to pay cash and get the goods at the same time."

Another trouble is that nearly all shopping is now done on Sundays—people have no time to do it during the week-days or even on Saturdays—they are too busy at work. The priceless argument is used that "if the people were all poor, there would be nobody at the shops to buy." But an assurance was given that steps are being taken by the commercial departments at all places to devise methods to simplify matters, while more shops are being set up in new industrial and mining districts and rural villages. As the commercial work is readjusted, particular care is being taken to avoid closing down or merging such shops as are essential to the masses, to make rational use of the commercial network already available and to allow the jointly-operated shops and co-ops and small shops to play their role to the fullest extent possible. But it was admitted that while the nation concentrates its efforts on national construction for industry, and certain types of consumer goods are short, queues will be unavoidable. But it was agreed that it was also necessary to increase consumer goods to meet popular demands. Actually the one development that has helped to remove the growing irritation and complaints of the people is the institution of the free market—which speaks volumes for the rival efficiency of socialist and private enterprise methods.

## REPORTS FROM CHINA

**1957 Targets:** Vice-Premier Po I-po announced recently that China's total industrial output in 1957 would be 6% more than 1956 in value; output of means of production would increase by 8.5% and that of consumer goods by 3.5%. The total value of industrial output this year is expected to exceed the original 1957 target under the first five-year plan by 13%, despite the fact that the rate of increase planned for this year is a little slower than that of last year. Targets set for major industrial products in 1957 are: steel output 5.4 million tons; power output 18,700 million kilowatts hours; total coal output 117 million tons. The total investment in industrial projects this year will be about the same as last year while appropriations in other fields will be slightly reduced. By the end of this year the total amount invested in capital construction since 1953 will exceed the original five-year target by 14%. Major projects constructed from 1953 to 1957 will reach a total of 850 in number compared with 694 actually scheduled in the first five-year plan. The output of means of production will account for about 50% of the total 1957 industrial output in value.

China's 1957 grain output will be 6% greater than last year and cotton output 13% more. Efforts will also be made to increase industrial crops and to develop animal husbandry, forestry, fishery and other side-occupations. The total value of agricultural production and rural side-occupations this year will be 7% more than last year exceeding the target of the first five-year plan by 4%. According to a Ministry of Agriculture report, China produced three million extra tons of rice last year by using improved farming methods on 3,300,000 hectares of paddy fields last

year. In mid-February, Peking announced that loans totaling 900 million yuan (some 130 million pounds sterling) would be issued this year by the Agricultural Bank to peasants. The loans, mainly for the agricultural producers' cooperatives, will be used to buy farm implements, fertilizers, seeds and other means of production. Among the agricultural loans issued in the past few years, 3,000 million yuan, equivalent to the total of last year's agricultural tax, had not been recalled yet. The loans were mainly for expanding production of the agricultural producers' cooperatives, and also for the share funds of individual peasants when they joined the cooperatives. There are now 100,000 rural credit cooperatives in the country with 1,240 million yuan of share funds and deposits, which are also available for the cooperatives and individual peasants. Commenting on production targets for 1957 the People's Daily in Peking said that agricultural cooperatives should neither be too far-fetched nor conservative in their Spring sowing plans. The paper criticises some agricultural cooperatives for unduly high targets last year and exceedingly low targets this year. It says that full investigation and study of the opinions of the cooperative members should be made and plans should be realistic.

Peking plans to add 24 new coal pit and 2 coal-washing plants to the coal mining construction plan for 1957. The capacity of the 24 pits will be 7,730,000 tons a year in addition to 1,650,000 tons originally planned, while the two washing plants will have a total annual capacity of 3,000,000 tons in addition to 6,500,000 tons in the original plan. Funds for the additional construction projects will not come from the added investment but will be accrued by cutting



unnecessary projects or proposals of secondary importance in the original plan. Projects to be cut included administrative buildings and hostels. Other economy measures included the popularization of new building methods to cut costs, simplification of administrative organisations and the reduction of administrative personnel and expenses. The 24 projected pits will be sunk in Kansu, Heilungkiang, Shansi, Shantung and Hopei. These new pits and those still under construction throughout the country this year will have a total production capacity of 78.75 million tons of coal. During 1956, production of coal in the country increased from 63,520,000 tons in 1952 to 105,300,000 tons.

Six new iron mines will be put into operation during 1957/58. The output of iron ore will be increased by over a million tons a year. Besides prospecting for new mines, Peking has intensified geological prospecting in existing ones. 29 mines have been found suitable to be expanded or worked on a larger scale. Technical and administrative management has also been strengthened to improve the low extraction rate of iron ore.

The Ministry of Railways revealed that 60% of this year's investment in railway construction would be used to raise the freight carrying capacity of existing lines. Over 600 kilometres of line will be double tracked; railway yards in Peking, Wuhan and at 12 other stations will be expanded; 160 new locomotives and over 6,800 passenger and freight cars will be built; and a number of trunk lines will be reconstructed. Only 600 kilometres of new railway lines will be laid this year including 320 kilometres of the 1,100-kilometre Paotow-Lanchow line which will be opened to traffic by the end of 1958. By the end of 1957, the railway between Pieschai in Yunnan and Hokow on the Vietnam border will be completed. The Yangtze River bridge, too, will be completed this year. Only 36 kilometres of track will be added to the Lanchow-Sinkiang railway this year to extend it to the Kansu-Sinkiang border. Air surveying of more than 4,000 kilometres of rail routes has been planned for the current year. Routes to be surveyed include the 1,300-kilometre line running from Chinghai to Lhasa in Tibet and three other routes—from Chengtu to Sichang near the Tibetan Plateau, from the Tsaidam Basin to eastern Sinkiang, and from Kunming to Hokow.

**Free Market:** According to a Peking report, about one-third of all China's agricultural commodities are now bought and sold on the free market. Prices are stable and peasants' incomes have risen—in some areas. In 1954 after the state had restricted free trading in rural products by private merchants the variety and quantity of some rural products reduced because state buyers and cooperatives failed to purchase all items or fixed unreasonable prices. The change-over to free marketing in some scope began in the second half of last year. As a result, out-of-season vegetables, poultry, various nuts and fruits, pickled and preserved vegetables, etc. are now abundant in the major cities. Sales of fresh eggs, chickens, ducks, fish and vegetables have been doubled and trebled in some cities. At the free markets buyers and sellers set the prices themselves by direct bargaining. As a result of this freeing of trade, links between grower and user of many commodities have become closer and intermediate processes have been reduced. In Shanghai, up to four processes were cut out of the handling of vegetables and dried fruits. Now the transit time between sellers and buyers has been shortened from seven days to an average of one day with resulting cuts in spoilage.

It sounds as if "free marketing" is another new Communist invention! However, the report further discloses that the market is still indirectly controlled by the State; if prices rise, the state shops and cooperatives put goods

into the market at reasonable prices and if prices fall to a point damaging to the peasants, their commodities will be bought up at favourable prices. Furthermore, two-thirds of all agricultural products, including grain, cotton and oil, are purchased by the state.

**Birth Control:** An editorial in Peking's China Youth News recently discussed birth control and encouraged young couples to give it serious attention so as to make life easier and to reduce difficulties at work and in the family budget. The People's Daily also reported that medical specialists in China favoured birth control. Last year 260,000 people from the over-populated Shantung, Hopei and Honan provinces were resettled in Heilungkiang. They reclaimed 380,000 hectares of wasteland and reaped 170,000 tons of grain from 240,000 hectares despite natural calamities. Housing accommodations comprising 25,000 rooms were built in the reclamation districts. Surveys during the past few years reveal that Heilungkiang has 7,400,000 hectares of virgin land. According to a government decision this province will be China's principal centre for reclamation. The shift of population from coastal provinces to the North will continue.

**Investments & Interest:** Peking boasted that investments by overseas Chinese in China last year doubled the previous year's total. More than 30 factories and mines were constructed or enlarged with funds invested by overseas Chinese. Most of these projects are located in Kwangtung and Fukien. Shareholders in such undertakings receive a guaranteed annual interest of 8% and are assured permanent ownership of their shares. A preparatory office for an overseas Chinese investment company has now been set up in Peking. Such companies already existed in Kwangtung and Fukien. This return of 8% per annum is higher than the average of 5% which private shareholders in joint state-private enterprises are getting.

**Hydroelectric Development:** According to an authoritative report from Peking, power generating capacity of China's hydro-generators put into operation since 1950 amounts to some 450,000 kilowatts. The Fengman Hydroelectric Station is now the power centre of Northeast supplying electricity to Anshan, Fushun, Kirin, Changchun and other key industrial bases. Its reservoir irrigates 37,000 hectares of land. The hydroelectric station at the Kwangtung Reservoir went into full operation at the end of last year. This station with a generating capacity of 30,000 kilowatts is now supplying the needs of Peking. The Shihtzutan Hydroelectric Station in Southwest China, which began to generate power last October, has a generating capacity of 48,000 kilowatts. Two new stations have been built near Urumchi in Sinkiang and in Lhasa in Tibet. Projects now under construction include the Shangyukiang Station in southern Kiangsi and the Liukho Station near Canton. Work on five new stations will begin this year on the Yellow River and in Chekiang, Yunnan and Szechwan; their total capacity will be about 3,200,000 kilowatts.

**State Farms:** China now has 454 state farms cultivating 900,000 hectares of land. Peking is urging heads of the various state farms, mostly in Heilungkiang and Sinkiang, to increase grain output by 30%, cotton output 60% and soya bean output 100%. State farms are also required to provide agricultural producers' cooperatives with 250 million kilograms of selected seeds.

**Virgin-Land Reclaimed:** China reclaimed two million hectares of virgin-land last year, almost as much as in the three previous years. The land is mostly in Heilungkiang (one-fifth of the total), Kansu, Yunnan, Kirin, Inner Mongolia and Sinkiang. Peking announced recently that China has 100 million hectares of wasteland suitable for reclamation—equivalent to the total present farmland.



THE C  
BALANCE SHE

	£	£	1955 £
<b>Capital—</b>			
Stock authorised and issued .....	3,500,000		3,500,0
<b>Reserve Fund</b> .....	5,000,000		5,000,0
<b>Profit and Loss Account</b> .....	409,308		405,3
		8,909,308	8,905,3
<b>Current and other Accounts, including Reserves for Contingencies, Taxation on profits to date and Exchange Adjustments</b> .....	175,370,102		172,434,1
<b>Fixed Deposits</b> .....	22,344,140		30,658,0
<b>Notes in Circulation against Security per contra</b> .....	3,266,725		2,905,8
<b>Bills Payable</b> .....	1,816,869		1,705,2
<b>Deposit by The C.B.I. Development Corporation Limited</b> .....	134,860		93,1
<b>Deposits by Nominee Subsidiaries</b> .....	381		5
<b>Deposit by Trustee Subsidiary</b> .....	11,623		6,8
<b>Proposed Final Dividend, less Income Tax</b> .....	150,938		150,9
<b>Acceptances, including undertakings to accept, on account of Customers</b> .....	10,982,691		7,108,3
		214,078,329	215,063,6

## Notes:—

- (1) There are contingent liabilities on Bills re-discounted, £11,710,287 (1955, £8,072,568) (of which £5,593,887 has run off at 4th March, 1957) and commitments in respect of Confirmed Credits, Forward Exchange Contracts and Guarantees, including Guarantees to Government Departments in India in respect of which securities valued at £410,746 (1955, £447,469) have been deposited with the Reserve Bank of India.
- (2) Contracts for outstanding capital expenditure on premises amount to approximately £1,280,000 (1955, £196,000).
- (3) Assets and Liabilities in foreign currencies have been converted into sterling at approximately the rates of exchange ruling on 31st December, 1956.
- (4) Under Part III of the Eighth Schedule to the Companies Act, 1948, the Bank is exempted from showing the aggregate amount of its reserves and the movements therein.

H. F. MORFORD, *Chief General Manager.*W. G. PULLEN, *General Manager.*T. R. GIBSON, *Chief Accountant.*

£222,987,637 £223,968,

## PROFIT AND LOSS ACCOUNT F

	£	£	1955 £
<b>Allocations—</b>			
Amount written off Bank Premises .....	200,000		200,
Officers' Pension Fund .....	125,000		125,
Widows' and Orphans' Fund .....	20,000		20,
Contingencies Account .....	150,000		100,
		495,000	445,
<b>Dividends Paid and Proposed, less Income Tax—</b>			
Interim 7½% paid 28th September, 1956 .....	150,937		150,
Final 7½% proposed .....	150,938		150,
15%		301,875	301,
<b>Balance Proposed to be Carried Forward</b> .....		409,308	405,
		£1,206,183	£1,152,



# D BANK

## DECEMBER, 1956

Current Assets—	£	£	1955 £
Cash in Hand, at Call and at Bankers .....		36,956,085	40,207,029
Government and other Securities at Market Value—			
Quoted on London Stock Exchange .....	36,392,170		44,896,213
Quoted on Overseas Stock Exchanges .....	8,209,048		10,202,612
Dominion Government and other Securities at Local quotations ....	3,989,227		3,312,093
		48,590,445	58,410,918
Hongkong Government Certificates of Indebtedness for surrendered coin lodged against Note Issue .....	1,098,028		1,098,028
British Government Securities at Market Value (Quoted on London Stock Exchange) lodged against Note Issue .....	2,329,867		1,585,680
		3,427,895	2,683,708
Bills of Exchange, including United Kingdom and Foreign Treasury Bills ....		13,784,922	17,086,106
Advances to Customers and Other Accounts .....		103,949,861	91,870,818
Balance of Remittances, Drafts, etc., in Transit between Head Office, Branches and Agencies .....		1,703,615	3,139,729
Liability of Customers for Acceptances, including undertakings to accept, per contra .....		10,982,691	7,108,999
		219,395,514	220,507,307
Fixed Assets—			
Subsidiaries—Shareholdings at cost—			
Allahabad Bank Limited—38,270 Ordinary Shares of Rs. 100 each of which 14,984 are fully paid and 23,286 are paid up to the extent of Rs. 50 per share .....	760,343		750,890
The C.B.I. Development Corporation Limited—500,000 Ordinary Shares of £1 each, fully paid ....	500,000		500,000
The Chartered Bank (Malaya) Trustee Limited—30,000 Shares of Straits \$10 each, \$5 paid ....	17,500		17,500
Nominee Companies .....	381		381
	1,278,224		1,268,771
Bank Premises and Furniture, at cost less amounts written off ....	2,303,586		2,180,534
Trade Investment, representing Property, at cost less amounts written off ....	10,313		12,375
		3,592,123	3,461,680
V. A. GRANTHAM, <i>Chairman</i> .			
J. H. S. RICHARDSON, <i>Director</i> .			
A. A. BRUCE, <i>Director</i> .		£222,987,637	£223,968,987

## YEAR ENDED 31ST DECEMBER, 1956

	£	1955 £
Balance Brought Forward from 31st December 1955 .....	405,375	392,910
Profit, after providing for taxation and after making allocations to Contingency Accounts, out of which Accounts full provision has been made for diminution in value of assets ....	800,808	759,340

Note:—The aggregate emoluments received by the Directors for their services amounted to £21,680 (1955, £21,398). In addition a pension of £625 was paid to a former Director (1955, £625).

£1,206,183	£1,152,250
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## THE CHARTERED BANK

(Continued from Page 397)

must be an outright devaluation of the rupiah and a return to simple commercial methods by the elimination of the present tortuous regulations.

In any case, to spend time and effort on Five-Year Plans embracing grandiose schemes before placing the country on a sound political and economic basis is fundamentally wrong, for until more stability is achieved the Republic cannot hope to attract outside capital. Nor can it hope to do so until it has made a clear declaration of the security of existing foreign capital and its ability and willingness to allow reasonable rewards in the form of profit or dividend remittances on investments.

Notwithstanding all I have said I am still optimistic regarding the long-term prospects of the Republic, for we do not believe its people will allow their rich heritage to deteriorate and disintegrate, and we are going steadily on with our own business in Java and Sumatra.

### THAILAND

Last year I drew attention to Thailand's return to a free economy. In a world in which governments, to solve their economic problems, appear in general to put increasing faith in exchange control and import licensing it required courage on the part of the authorities in Thailand to initiate what many regarded in the first place as a somewhat perilous experiment. The operation was carried out in stages, the first step being the restoration of the rice trade to private hands two years ago. Subsequent measures terminated the system under which the foreign exchange earned by exports of rice, rubber and tin had been sold partly at official and partly at free market rates: all such exchange is now sold at the free rate. Restrictions on imports were also removed.

It is pleasing to report that the whole experiment has so far worked well. It was anticipated that following the lifting of import controls in September 1955 there would be an immediate and considerable increase in imports. Such proved to be the case, and according to the latest figures available the country appeared to be running a trade deficit well into 1956. However, as a substantial proportion of Thailand's imports are shipped under American Aid and exports have been running at a higher level than in 1955, it is reasonable to assume that, except for the period immediately after the raising of import restrictions, the country's balance of trade has been favourable.

Rice is still the backbone of the economy and exports, at roughly 1,200,000 tons, were about the same as the previous year but, unfortunately, through increased competition from the rice producing countries and the incursion of the United States into Far Eastern markets, prices were substantially below those for 1955. Nevertheless, the authorities found no difficulty in maintaining the value of the tical and, in fact, owing to the supply of United States dollars accruing to Thailand through its exports to Laos and Cambodia under American Aid, it was more than once necessary for the Equalisation Fund to intervene in order to prevent an appreciation in the exchange value of the tical.

In the latter part of the year the political scene was dominated by the forthcoming elections and further democratic reforms are promised. An unfortunate feature was a marked recrudescence of nationalistic agitation, which is rather surprising in a country of the maturity of outlook of Thailand, and particularly at a time when a feeling of confidence must be engendered in order to attract the foreign investor.

### VIETNAM

Since last year, when I told you of the difficulties, both political and economic, confronting Vietnam, there has been steady progress in both fields, to an extent that allows one to be quietly optimistic about the future and perhaps the greatest encouragement in this view is the gradual streng-

thening of the country in relation to communist-held northern Vietnam. That this improvement in strength has been made is largely due to the forceful personality of President Ngo Dinh Diem, whose outstanding achievement was the promulgation of the Vietnam constitution in October last. The government's newly-found strength has manifested itself in the emergence of certain nationalistic ordinances for land reform, for the naturalisation of Chinese born in Vietnam and for the prohibition of foreigners in engaging in certain trades. The last two, which are inter-connected, are very bold measures, for the Chinese community, now cut off from the possibility of oversea aid, has to decide whether or not it will co-operate fully in the country's trade. If it does so, there is hope that economic recovery and final independence of American Aid may be an earlier possibility than could have been anticipated a year ago. As it is, although the country depends almost entirely upon American Aid, which provides the greater part of the government's budgetary revenue and pays for all but 20 per cent of the country's imports, there are signs that an early revival of exports may change drastically the extent of this dependence on external support.

Rubber which at the moment accounts for 80 per cent of the total exports, should continue to be a useful exchange earner, but even more important is the promise of an immediate resumption of rice shipments, for it is on this commodity that the country must depend for the re-establishment of its economic stability although, paradoxically, on the political stability of the country will depend the ability to produce and bring the rice to the ports.

Business during the year has been difficult but the government has endeavoured, and with much success, to tackle black marketeering and profiteering, although this has brought in its wake a form of control and interference in business that does not augur well.

This country badly needs investment capital but it is difficult to see this forthcoming until a strong but liberal administration is built up with the help of a good civil service, and unfortunately the country is woefully short of capable government officials. For this reason great credit is due to the few that have carried the burden with some success during 1956.

### CAMBODIA

Cambodia, by accepting aid from China and Soviet Russia as well as the United States, has demonstrated that it wishes to be completely independent of any international political grouping and to be free to welcome investment and assistance from any foreign source, provided that it is offered without political conditions attached to it. Thus the construction of the new ocean port at Kompong Som, a project of immense importance to the country and one which will render it largely independent of the Mekong River and Saigon, is being carried out with French aid. The modern highway from Kompong Speu to the new port and linking it with Phnom-Penh is an American-aided project, while the programme of Chinese aid also includes road construction as well as agricultural and electrical development schemes.

The bulk of the country's imports continue to be financed by American Aid, but in order to assist its declared policy of lowering prices in the domestic market the government has released part of its own foreign exchange holdings to pay for certain specified imports. Notwithstanding this, and despite two poor rice harvests in succession, the foreign exchange holdings of the Banque Nationale du Cambodge have steadily increased over the year.

This cautious but commendable spending policy will undoubtedly assist in building up the country's economy on sound lines and we can look for further steady progress even in the absence of much needed investment capital.

### THE PHILIPPINES

The Philippines would appear to have been successful in one major battle during 1956, that is defending the value of the peso. The rapid fall which took place in the Re-



public's international reserves during 1955 was halted and, mainly owing to drastic import control, there was a slow but steady increase in the foreign currency holdings during the year under review. As exports are tending to rise in value and American Aid has proved more than sufficient to cover the trade deficit the peso should be in no immediate danger.

The reappointment of Mr. Miguel Cuaderno as Governor of the Central Bank for a further year is a most encouraging factor, for the fundamental soundness of his hard-money policy has been clearly proved. It is apposite here to express our satisfaction too that one of his broad international outlook and experience should so fittingly have been appointed Chairman of the Boards of Governors of the World Bank and of the International Monetary Fund.

The determination and realism that have played such a large part in readjusting the balance of trade and saving the peso will be needed by the administration in their second major struggle, that is the fight against inflation. If the Philippines succeed in halting inflation over the coming year a major economic victory will have been gained, but the task is not an easy one. To succeed it may be necessary to postpone some of the capital development programme and reduce deficit financing. Efforts will have to be made to see that local production is increased to offset import cuts and this would seem to indicate a temporary switch at least from industrialisation to investment in indigenous activities such as mining, tobacco, desiccated coconut and paper production and to the purely agricultural industries of coconut-oil, sugar, hemp and lumber.

Unfortunately some of the proposed legislation in the Philippines is still such as to frighten away rather than encourage the foreign investor and our experience has been that the authorities, in order to conserve foreign exchange, have been overdrastic in their application of regulations to the detriment of ordinary profit remittance. We can only hope that a return to less anxious times will allow a more lenient and reasoned outlook.

Although the foreign trade of the Philippines is still predominantly with the United States there was a continued trend during the year to trade more in European markets and with Japan and it is hoped that a formula will soon be found which will allow the Philippines to adopt sterling as its alternative trading medium and thus enable it to keep part of its reserves in a currency other than the United States dollar.

The popularity of President Magsaysay remains unabated and his prestige is such that it is unlikely that any candidate could be found to defeat him in the next elections. All well-wishers of the Philippines will hope that he enjoys a long term in office for he remains a great stabilising influence on the country's politics and economy and an inspiration to his countrymen to work in the interests of their country.

#### HONGKONG

Notwithstanding Hongkong having better trading figures for the year, due no doubt more to higher prices than to increased volume, it is becoming increasingly clear that its importance as an entrepot is decreasing and that much of that business has probably gone for ever. That China will trade through Hongkong when expedient was fully demonstrated by the modification of policy in the middle of the year which brought Hongkong's merchants to an increased degree into China's pattern of trade. Unfortunately, because of China's dependence on the Soviet bloc for the bulk of its supplies, it is unlikely that an increased use of Hongkong for inward and outward shipments will be a permanent feature. On the contrary, it seems that China is determined to develop a deepwater port at Tsam Kong, formerly the French possession of Kwong Chow Wan, and although there will be much greater railway haulage involved, it seems that this port, at the expense of Hongkong, may eventually serve most of South China.

Fortunately, industrial development in the Colony has done much to offset its loss of entrepot trade and the various

industries, particularly cotton spinning, can look forward optimistically into 1957, provided there is no change in Imperial preference. The mills and other industries are fortunate in having, partly through refugees, a seemingly inexhaustible reservoir of good labour which enables them to keep costs steady and competitive. This is perhaps the only bright aspect in connexion with the refugees, for the housing of some 700,000 extra persons plus the school, sanitation and health services necessitated, are imposing a severe strain on the Colony's physical resources and on its budget. Of those physical resources lack of water is still probably the most serious single factor and even the completion of the Tai Lam Chung dam in eighteen months' time will not fully meet the domestic and industrial demand.

The political scene during the year was dominated by the riots commencing with the celebration of the anniversary of the foundation of the Nationalist Republic of China. Unruly elements seized their opportunity to indulge in looting, arson, stone throwing and intimidation but a reassuring feature is that a government enquiry has confirmed that political motives were to all intent and purpose absent.

#### CHINA

My report on China this year is in marked contrast to my remarks over the last few years inasmuch as, under encouragement from the authorities, your bank is again participating, if only to a small extent, directly in mainland China's overseas trade. It would appear that the authorities in Peking consider that it is useful to have trade links throughout the world additional to those provided by their own Bank of China and, as this change coincides with China's further progress towards normal commercial trading terms, it is hoped that we shall be in a position to handle useful and remunerative business.

During 1956, notwithstanding some setbacks to crops through adverse climatic factors, the process of steady consolidation went on and the country has evidently reached a state where some liberalisation in the interpretation of the regulations is considered justifiable.

An outward manifestation of the increase in foreign trade is the revival in the activity of Shanghai as a port, but the vexatious question of the embargo is still a stumbling block to Britain's increased participation.

#### JAPAN

Three main and interrelated political events took place in Japan during the latter half of 1956: firstly, the state of war with the Soviet Union was ended and normal diplomatic relations resumed; secondly, Japan was admitted to membership of the United Nations; and thirdly, the Liberal-Democratic Party in power elected a new premier who reshuffled the more important cabinet posts.

Possibly the greatest advantage from these developments is an addition to the country's international bargaining power, and this it may well need if it is to succeed in consolidating and ensuring the continuance of the great economic strength that it has built up over the past two or three years, for the authorities are obviously trying to hedge against the disastrous effects that a recession in the United States could have on Japan's economy. To do this they must make certain of larger participation in the China market, which involves delicate negotiation with the United States, and an increase in the country's trade with South East Asia countries and the sterling area which, too, may necessitate much hard bargaining. It is significant that the trade talks between Japan and the United Kingdom have dragged on for over three months without agreement having been reached whilst the talks between Japan and Australia were also indeterminate.

It is perhaps surprising at the end of a most prosperous year when the economy expanded much more than could have been anticipated and a net gain on foreign exchange holdings was registered, that Japan should be worried about the future but, due possibly to a liberalisation of its import policy, not unconnected with negotiations on exports, the



## ECONOMIC REPORTS FROM THE PHILIPPINES

Filipino capitalists headed by Ernesto Escaler, sugar planter of Pampanga, were successful bidders for the purchase of the Bacnotan Cement Plant in La Union. The winning bid was for the purchase of the government plant for P17,000,000. The plant has a book value of P12.5 million. Two other groups participated in the bid, one making an offer of P16 million. The winning investment group includes prominent Filipino families—Quezon, de Leon, del Rosario, Moran, and Oppen—and two of the largest insurance firms in the country. The cement plant will be the first government enterprise to be turned over to private industry. Award of the enterprise to local investors was hailed in industry circles as proof of government's earnestness in encouraging private firms to take over the industrial ventures in which the government has been forced to pioneer.

Three government bureaus were created: Bureau of Domestic Trade, Bureau of Foreign Trade, and Bureau of Industrial Promotion. The Bureau of Domestic Trade will regulate, promote and provide information on domestic trade. Under it will function a market research and information division, a business assistance and promotion division, and a business licensing, registration and regulation

division. The Bureau of Foreign Trade will regulate, promote and provide information on foreign trade. Four divisions are to function: Trade Promotion, Commodity Standards, Fiber Inspection Service, and Quota Products. The Bureau of Industrial Promotion will provide information and promote development of industries. Under this bureau are industrial survey and marketing division, industrial consultation division and home industries division.

The national budget for 1957-58 shows a record expenditure of one billion two hundred million pesos. During the coming fiscal year P688,000,000 will go for operational expenses and the balance for capital spending on development projects. In the following four years increasing amounts will be devoted to the latter type of spending. Projects include roads, rural improvement and resettlement, irrigation, power and other projects to speed industrialization. Education and national defense are allocated major shares in the budget. Provision is made for service on the national debt, which will total more than P100,000,000 in 1958.

The Rockefeller Foundation, the Philippine Department of Education and the University of the Philippines agreed on the plan to establish a language teaching center with a grant of \$1,000,000 from the foundation. The plan will include one-year scholarships for Philippine English teachers and supervisors at the University of California at Los Angeles where they will take a course in the teaching of English as a second language. The new language teaching center and Philippine groups working through it will concentrate on teaching English to Filipinos in the most effective and economical way. They will experiment with the Filipino vernacular as a medium of instruction in the schools, with English taught as a secondary language. Another objective of the program will be the preparation of textbooks designed to fulfil the program's objectives.

The Philippines plans to put elementary education on a compulsory basis. The Department of Education is drawing up a program that would require school attendance for children between the ages of 7 and 13. The Philippines has the highest literacy of any nation in the Orient except for Japan, but a recent survey disclosed that ten per cent of the country's children do not enter school at all and that around 75% of the others drop out by grade six. At present around 5,000,000 children are enrolled in elementary and high schools. If this number is increased through compulsory attendance, the construction of many additional classrooms will be required.

Filipino traders who are exclusive distributors of foreign-made products will be granted special dollar allocations to place them in a more favorable competitive position in the country's import trade. This would be a preliminary move toward the nationalization of imports. This measure will induce foreign suppliers to appoint Filipinos as their exclusive distributors.

Since the beginning of the barter trade agreement in July of 1950, Philippine exports to Japan have been valued at \$332,764,500, while imports from Japan at \$198,074,999. The balance in favor of the Philippines—which the agreement stipulated was to be paid in cash—amounted to \$134,689,500.

Philippine and Japanese authorities signed contracts for the largest single item for delivery under the reparations agreement. The contracts call for five Japanese firms to furnish 250 railway cars to the Manila Railroad. Valued

terms of trade turned rather quickly against the country in the second half of the year. This trend might be serious if certain key requisites for economic development, such as transport, steel and electric power, were to fall short of requirements. The extent to which Japan depends upon a good home rice crop is another potential weakness and so too is the threat of internal inflation.

I do not wish to give an impression that I feel alarmed about Japan's future for, on the contrary, the country enters 1957 on a very optimistic note and the fact that the weaknesses and possible dangers I have pointed out are well known to the authorities probably means that they will be well taken care of by sound fiscal and monetary policies. The country's inherent strength is reflected in the plans that are afoot for a welcome reduction in taxation and in the growing strength of its banks which, although still possibly overvalued by our standards, provide a sound basis for the growing industrial development.

The growing use of sterling as a medium for settling Japan's multilateral trade has put a great strain on its holdings and the country's credit is extended in the London market to a degree that may necessitate continued sales of U.S. dollars to replenish its depleted sterling funds.

### CONCLUSION

With the industrial skill, mercantile capacity and administrative ability that is at our disposal, and a proper realisation of the fact that our endeavours in the East must in future be related to common economic interest rather than to politics and strategy, there is no reason for despondency. To that I would only add that we see everywhere throughout the East a steadily increasing competition for business, which is not likely to become less as the years go by and we must realise that the selling prices of our manufactured goods will be set by the world at large and not by ourselves. We cannot expect, indefinitely, to absorb increases in the cost of living in our selling prices or to get increased prosperity without increased production, which must entail an end to restrictive practices. Our income will be related to our output and our present standard of living will only be maintained if we are prepared to match the output of other countries. If we do not do so we shall find ourselves priced out of the world's markets.



## BUSINESS CONDITION IN HONGKONG IN 1956

Representatives from various trades reviewed their business during the past year at a meeting held recently at the Chinese Chamber of Commerce. They concluded that trading last year was on the whole much better than during 1955 and further resolved that HK should hold an international trade fair to improve entrepot business, and that HK businessmen must continue to exert efforts towards the lifting of embargo on China trade and the abolition of entry restrictions on businessmen from China and other countries. Reports on various trades are summarized below:

**China traders** earned handsome profit from re-exporting foodstuffs and other Chinese products to SE Asia; more new items reached here from China. **Indonesia traders** had an unexpected boom year; they claimed that Indonesia was the number one buyer of HK products (Actually No. 2 buyer, UK was No. 1 customer—Ed.). **Singapore traders** reported that due to the increased volume of China's direct trade with Singapore and Malaya, their business was much less than in 1955. **US, Canada and Australia traders** received more orders from these countries for foodstuffs and Chinese provisions; the increase over 1955 however was not impressive.

at \$1,866,667, the cars are to be delivered not later than July 21 of this year.

**Samar Mining Co.** December operations at Masara, Davao, resulted in the recovery of 46,409 pounds of copper, 31,405 pounds of lead, 218,858 pounds of zinc, 945.32 ounces of gold, 7,650.07 ounces of silver. In addition 342.20 ounces of gold and 2,024.84 ounces of silver were recovered from the cyanidation plant. Estimated value of the metal was P253,902.

**Atlas Consolidated Mining and Development Corp.** in January shipped copper concentrates from its Toledo mines totalling 5,225 dry short tons, containing 2,040,795 pounds of copper and 548 ounces of gold, valued at P1,360,680 and P54,800, respectively. In addition, 2,820 metric tons of pyrites valued at P56,400 were shipped to the Iligan plant of the National Power Corp. Shipments of iron ore from the company's Mati mine for the month totalled 17,700 tons with an estimated value of P295,590. Total value of the month's shipments of copper concentrates, pyrites and iron was P1,767,670. Ore treated by the Toledo mill during the month totalled 158,790 tons, which averaged .55 per cent copper and .01 ounce of gold per ton.

**Lepanto Consolidated Mining Co.** in January produced 4,377 tons of concentrates estimated to contain 2,144,270 pounds of copper and 3,924 ounces of gold (returnable gold at 3,796.5 ounces). Ore treated during the month totalled 36,239 tons, with an average copper content of 3.13% and average gold content of 0.131 ounces per ton. Copper recovery during January was 94.5%; gold recovery, 82.6%. Consolidated Mines, Inc. in January shipped 51,775 tons of chrome ore, valued at P2,036,500 at current market prices. Palawan Quicksilver Mines, Inc. in January treated 4,580 tons of ore for a recovery of 22,919.69 pounds of mercury valued at more than P154,600. Ore treated during the month was of lower moisture content, which accounts for the increased milling average of 148 tons for two rotary kilns, as against 126 tons in December. Baguio Gold Mining Co. in January milled 9,827 tons of ore for a recovery of 2,434.43 ounces of gold valued at P289,697 at current market prices. December output was 11,616 tons of ore milled for a recovery of 2,705.3 ounces of gold worth P309,181 at government subsidy prices.

**General importers and exporters** believe that the volume of entrepot trade can be improved if embargo on China trade is lifted. Last year's entrepot in cotton and other textiles, metals and machinery, China produce, mineral ores and fuels was better and more profitable than in 1955. **Vegetable oil exporters** come to the conclusion they will have to depend on local consumption instead of export demand in future. They sold large quantities of groundnut, bean, teaseed cottonseed, sesame, coconut and wood oils to local factories and dealers last year. **Knitwear exporters** are concerned over strong tendency among SE Asian countries to restrict imports of those items which their domestic industries can produce. Exports last year however remained at high level. **Rice importers and dealers** confirmed that Government quota system kept price fluctuations within narrow limits last year. **Rattan importers** were not able to get as much rattan from Indonesia as they needed because Djakarta imposed restrictions on its exports; as a result rattan imports in 1956 were 20% lower than during previous year. **Paper importers** reaped handsome profit on account of price advances in the local market brought about by increased indents; retailers however reported that local demand was handicapped by high quotations. **Pharmaceutical importers** cut indents to the minimum and regulated their business mainly to meet local demand. Local pharmaceutical manufacturers retained steady demand from SE Asia for various HK-made patent medicines. Dispensaries were able to make both ends meet largely on profit from sales of imported patent medicines.

**Metal dealers** were caught short of various stocks when demand suddenly poured in from Korea, South Vietnam, Cambodia, Thailand and SE Asia; steel bars were particularly short. Prices advanced encouraging importers to book more supply from Europe and other sources. Japan absorbed bars and plates from the local market. The building boom too provided strong demand for structural steels and metal fittings. **General wholesale and retail merchants** experienced a successful year because local purchasing power had remained steady while tourists and China returnees provided strong demand for various imported goods particularly expensive items. The number of **dyestuff dealers** declined from 22 in 1955 to only 19 last year; demand from Korea and SE Asia was restricted in volume and selective in items. China bought direct from manufacturing countries and local factories booked their orders direct from importers. **Industrial chemical dealers** struggled through the first 10 months chiefly on limited demand from local factories. During the last quarter there were orders from Korea, Cambodia, Thailand after the Suez Blockade; however trading was handicapped by short stocks and advanced indents. Many **electric appliance dealers** set up shops last year on account of increased local demand for electric fittings resulting from the building boom.

**Provision dealers** reported that local demand for wines, canned foods and other provisions was very steady but sales during the last quarter slowed down after prices were marked up on account of increased cost. **Hog dealers** failed to get enough supply of live hogs from China and Taiwan. The difficult supply situation kept prices for pork firm here. **Vegetable and fruit dealers** reported that supply from China was regulated by Chinese authorities to keep prices here at steady level. **Egg dealers** did not get enough supply from China towards year-end; prices reached record highs. **Marine and fresh water fish dealers** had less business than in 1955 because local consumption was restricted by increased prices, and in the case of fresh water fish from China supply was curtailed.

**Herb medicine dealers** reported a decline in trade because (1) China sent large quantities of herb medicines direct to SE Asia; (2) local demand was adversely affected

## HONGKONG INDUSTRIAL REPORTS

**Spinning Mills:** The New China Textiles Limited with 10,800 spindles was recently bought by Pao Hsing Cotton Mill Limited. The Maryland Textile Company with 6,640 spindles was closed down at the end of last year. As a result, the total number of spindles in HK is now slightly less than at end of last August when, according to HK Cotton Spinners Association, its 17-member mills had a total of 306,252 spindles with a production capacity equivalent to 11.23 million pounds of 20 counts yarn per month. Corresponding figures at present are 15 mills, 301,644 spindles and 10.92 million pounds of 20's yarn. Details are listed below with figures for last August in brackets:

HONGKONG COTTON YARN  
Production Capacity of HK Mills

Mill	Number of Spindles		Capacity per Month in Pounds based on 20 Courts Yarn	
East Sun Textile Co. Ltd. ....	12,960	(12,528)	410,000	(400,000)
Eastern Cotton Mills Ltd. ....	10,400	(10,400)	400,000	(400,000)
Hongkong Spinners Ltd. ....	40,240	(40,240)	1,405,400	(1,600,000)
Kowloon Textile Industries Ltd. ....	27,600	(25,600)	970,000	(900,000)
Lea Tai Textile Co. Ltd. ....	10,920	(10,920)	440,000	(440,000)
Maryland Textile Co. Ltd. ....	—	(6,640)	—	(252,420)
Nanyang Cotton Mill Ltd. ....	27,800	(29,000)	1,000,000	(1,044,000)
New China Textiles Ltd. ....	—	(10,800)	—	(400,000)
Overseas Textiles Ltd. ....	10,000	(10,000)	340,000	(340,000)
Pao Hsing Cotton Mill Ltd. ....	21,620	(10,820)	864,800	(360,000)
Paulum Spinning & Weaving Mills Ltd. ....	12,100	(12,100)	450,000	(450,000)
South China Textile Ltd. ....	14,400	(12,000)	520,000	(450,000)
South Sea Textile Manufacturing Co. Ltd. ....	32,900	(32,900)	1,200,000	(1,170,000)
South Textiles Ltd. ....	10,080	(10,080)	330,000	(330,000)
Star Textiles Ltd. ....	15,400	(17,000)	580,000	(500,000)
Textile Corporation of HK Ltd. ....	18,168	(18,168)	550,000	(630,000)
Wylar Textiles Ltd. ....	37,056	(37,056)	1,465,256	(1,565,000)
Total ....	301,644	(306,252)	10,925,456	(11,231,420)

**Ship-Building:** During the last quarter of 1956 the Taikoo Dockyard received a further order from the China Navigation Company for a 390-foot cargo vessel in addition to four similar vessels previously ordered by the same company. Taikoo also received an order from Norwegian owners for a 400-foot cargo vessel. Two steel lighters were com-

pleted and delivered to Borneo during the same period. Vessels under construction at the HK & Whampoa Docks included a waterboat and several launches. A concrete pump house built for the HK Electric Company was launched, towed across the harbour, and sunk in its permanent position. At the HK Shipyard, the double-ended steel passenger ferry "Man Lai" was launched and completed during the quarter. "Man Foon" was also completed and put into service. The Wing On Shing Shipyard received an order for a 32½-foot "Malabar Junior" yacht for export to US. One local owner ordered a 37-foot sloop. This shipyard also received orders for 4 steel lighters and 3 wooden lighters.

by increase in prices caused by curtailed supply from China. Ginseng dealers however retained steady business throughout the year. (Ginseng came chiefly from US, Japan, Korea and Canada—Ed.). China also increased shipments of **sea-grass and straw mats** direct to Europe and SE Asia; as a result dealers in these commodities experienced decline in business. **Timber dealers** enjoyed better business than in 1955; local consumption increased with the building boom while export demand improved with development of new markets. **Dealers in drawn lace work, cotton and silk piece goods** reported a year of steady business. **Glass and mirror dealers** reported exports as sluggish but local demand strong on account of the building boom.

**Godowns** had little business during first half year; however the situation improved considerably during the last quarter after heavy arrival of rice and sugar from Thailand and Taiwan. **Junk owners** who offer their vessels for hire to fish dealers and other foodstuff merchants reported their business was worse than in 1955.

At the Cheoy Lee Shipyard, work on 13 commercial vessels was started; 10 of these are for export. Ten yachts are now under construction at the Cheoy Lee for export to US. The yard is also building a 38-foot motor cruiser for a local owner. Vessels completed at Cheoy Lee recently included an 800-foot steel cargo vessel, a water boat, a steel cargo vessel and a 40-foot ketch.

**Exhibition of HK Products:** Reporting on the recent exhibition of HK products, Mr. U Tat-chee said that 28 trade delegations consisting of 376 members from Honolulu, Japan, Okinawa, the Philippines, India, Taiwan, Cambodia, Thailand, Burma, Singapore and Malaya attended the exhibition. Mr. U also commented that there was a misleading notion that locally-made goods were not as good as the imported ones and pointed out, "... the improved local manufactures are enjoying increasing demand in overseas markets including the highly industrialized countries such as US, Canada, Europe and UK—a convincing proof that local products are not inferior to imported goods."

**Industrial Sites at Kun Tong:** Up to the end of 1956, 26 sites at Kun Tong were sold covering a total area of 349,000 square feet. When the auctions began in September, the realized prices were between \$12.22 and \$23.10 per square foot. In October the price dipped to between



\$8.90 and \$20.30. The decline was continued in November (\$7.50—\$11) and in December the prices were as low as \$5 per square foot.

**Technical Education:** The International Labour Organisation, at the request of HK Government, sent here Mr. P. G. Bradford, an expert in production engineering to help the Technical College in establishing courses for local students on the subject in which he specializes. He will also assist in the design of workshops for the teaching of production engineering in the new Technical College. Mr. Bradford has already visited a large number of factories in order to determine the most useful programme to be followed.

**Employment Statistics:** At the end of 1956 there were 3,319 registered and recorded industrial undertakings in HK and Kowloon employing 146,877 workers. Corresponding figures for 1955 were 2,926 establishments and 129,465 workers. Details of employment at end of 1956 follow:—

Industry	Number of Factories	No. of Employees Male	Female	Total
Mining & Quarrying .....	64	1,993	233	2,226
<b>Food Manufacturing Industries Except Beverage Industries.</b>				
Meat Canning & Pre-serving .....	2	8	—	8
Dairy Products .....	3	28	—	28
Vegetable & Fruits .....	23	223	186	409
Ginger .....	7	83	293	376
Vegetable Oils, Peanut Oil, Soy Sauce, Gourmet Powder, & Peppermint Oil .....	25	532	413	945
Bean Curd .....	38	267	21	288
Flour & Rice Milling .....	65	670	14	684
Bakeries, Biscuits & Confectionery .....	44	1,236	625	1,861
Sugar Factories & Refineries .....	2	412	119	531
Cocoa, Chocolate & Sugar Confectionery .....	10	95	149	244
Miscellaneous Food Preparations .....	104	1,061	273	1,334
Total .....	323	4,615	2,093	6,708
<b>Beverage Industries.</b>				
Wine Industries .....	15	185	6	191
Breweries & Manufacture of Malt .....	1	186	18	204
Soft Drink Industries .....	13	481	131	612
Total .....	29	852	155	1,007
<b>Tobacco Manufactures.</b>				
Cigarettes & Cigars .....	6	247	1,044	1,291
<b>Manufacture of Textile.</b>				
Cotton Spinning .....	19	9,464	4,807	14,271
Wool Spinning .....	4	738	109	847
Weaving .....	149	4,476	5,362	9,838
Finishing .....	58	1,602	25	1,627
Knitting .....	347	4,112	9,934	14,046
Cordage, Rope & Twine Indus. ....	41	542	396	938
Manufacture of Textiles not elsewhere classified .....	21	287	400	687
Total .....	639	21,221	21,033	42,254

Industry	Number of Factories	No. of Employees Male	Female	Total
<b>Manufacture of Footwear, Other Wearing Apparel &amp; Made-Up Textile Goods.</b>				
Manufacture of Footwear except Rubber Footwear .....	29	844	198	1,042
Manufacture of Wearing Apparel except Footwear .....	195	4,229	4,189	8,418
Manufacture of Made-Up Textile Goods, except Wearing Apparel .....	31	229	653	882
Total .....	255	5,302	5,040	10,342
<b>Manufacture of Wood &amp; Cork Except Furniture.</b>				
Sawmilling .....	109	1,417	28	1,445
Cork Manufacturing .....	2	18	7	25
Manufacture of Trunks & Cases .....	13	552	33	585
Wooden Articles .....	7	103	56	159
Total .....	131	2,090	124	2,214
<b>Manufacture of Furniture &amp; Fixtures.</b>				
Wooden Furniture Mfg. ....	13	547	4	551
Rattan Furniture Mfg. ....	16	405	94	499
Total .....	29	952	98	1,050
<b>Manufacture of Paper &amp; Paper Products.</b>				
Paper Manufacture .....	4	54	6	60
Articles of Pulp & Paper-Board .....	25	276	252	528
Paper Cutting .....	1	5	—	5
Total .....	30	335	258	593
<b>Printing, Publishing &amp; Allied Industries.</b>				
Printing .....	365	5,091	748	5,839
Newspapers .....	12	952	26	978
Paper Dyeing .....	3	100	49	149
Total .....	380	6,143	823	6,966
<b>Manufacture of Leather &amp; Leather Products, Except Footwear.</b>				
Tanneries .....	15	352	11	363
<b>Manufacture of Rubber Products.</b>				
Reclaimed Rubber Products .....	6	74	16	90
Shoes .....	66	2,512	4,784	7,296
Total .....	72	2,586	4,800	7,386
<b>Manufacture of Chemical &amp; Chemical Products.</b>				
Chemicals .....	11	276	81	357
Dyes .....	6	34	2	36
Salt .....	11	37	—	37
Fire Crackers .....	1	—	—	—
Fertilisers .....	1	5	—	5
Medicines .....	21	164	404	568
Cosmetics .....	10	107	150	257
Soap .....	2	12	2	14
Paint & Lacquer .....	10	294	177	471

Industry	Number of Factories	No. of Employees Male	Female	Total
Printing Ink .....	4	36	4	40
Matches .....	3	117	451	568
Joss Sticks & Mosquito Sticks .....	10	72	294	366
Bone-grinding .....	5	44	2	46
Lubricating Oil .....	1	4	—	4
Total .....	96	1,202	1,567	2,769

<b>Manufacture of Non-Metal- lic Products Except Products of Petroleum &amp; Coal.</b>				
Structural Clay Products				
Bricks .....	6	364	107	471
Pottery, China & earthen- ware .....	3	171	30	201
Glass & Glass Products .....	37	904	168	1,072
Tiles & Blocks .....	7	105	27	132
Cement .....	1	258	8	266
Abrasives .....	2	4	1	5
Gypsum Powder .....	2	15	—	15
Lime-Kilns .....	6	81	29	110
Stone Crushing .....	5	61	—	61
Terrazo Works .....	4	35	11	46
Total .....	73	1,998	381	2,379

<b>Basic Metal Industries.</b>				
Iron Foundry .....	23	462	24	486
Rolling Mills .....	6	555	358	913
Lead Melting .....	1	4	—	4
Total .....	30	1,021	382	1,403

<b>Manufacture of Metal Pro- ducts Except Machinery, Transport &amp; Equipment.</b>				
Tin Cans .....	34	687	605	1,292
Aluminium Wares .....	6	203	87	290
Enamel Wares .....	39	5,229	927	6,156
Vacuum Flasks .....	5	523	228	751
Electro-plating .....	52	814	333	1,147
Type-foundries .....	8	70	10	80
Needles .....	4	303	409	712
Nails & Screws .....	5	156	63	219
Tooth Paste Tubes .....	3	15	19	34
Hurricane Lamps .....	4	67	301	368
Brass Sheets .....	4	64	23	87
Iron & Steel Works .....	11	641	97	738
Metal Window .....	14	514	1	515
Umbrella Ribs .....	3	24	73	97
Welding .....	3	21	—	21
Other Metal Wares .....	252	3,849	4,196	8,045
Torch Cases .....	29	1,433	4,107	5,540
Total .....	476	14,613	11,479	26,092

<b>Manufacture of Machinery, Except Electrical Ma- chinery.</b>				
Repair of Machinery .....	206	3,220	151	3,371

<b>Manufacture of Electrical Machinery, Apparatus, Appliances and Supplies.</b>				
Repair of Radio .....	2	27	251	278
Electric Bulbs .....	28	379	372	751
Batteries .....	8	150	723	873
Electric Appliances .....	9	117	98	215
Neon Light .....	3	15	2	17
Total .....	50	688	1,446	2,134

Industry	Number of Factories	No. of Employees Male	Female	Total
<b>Manufacture of Transport Equipment.</b>				
Shipbuilding & Repairing	23	8,016	229	8,245
Tramways .....	1	1,512	24	1,536
Motor Buses .....	2	973	—	973
Lorries & Cars .....	15	558	5	563
Motor Bodies .....	2	87	18	105
Aircraft (Overhauling) ..	2	1,407	30	1,437
Total .....	45	12,553	306	12,859

<b>Miscellaneous Manufac- turing Industries.</b>				
Photographic Optical In- struments .....	4	34	10	44
Precious Stones .....	1	8	—	8
Artificial Pearls .....	7	48	316	364
Gramophone Records ..	1	3	10	13
Pianos .....	1	14	—	14
Toys .....	2	10	95	105
Pencils .....	3	10	27	37
Abacuses .....	1	11	—	11
Feather Sorting & Clean- ing .....	5	72	17	89
Tooth Brushes .....	8	201	259	460
Buttons .....	28	638	517	1,155
Ice Cold Storage .....	18	782	257	1,039
Bakelite Wares .....	15	166	135	301
Plastic Products .....	113	1,226	1,761	2,987
Bamboo Blinds .....	2	37	50	87
Fountain Pens .....	5	68	124	192
Brushes .....	2	8	15	23
Straw Ropes .....	1	7	—	7
Putty .....	1	5	—	5
Venetian Blinds .....	3	14	—	14
Total .....	221	3,362	3,593	6,955

<b>Electricity &amp; Gas.</b>				
Electric Light & Power ..	5	1,102	9	1,111
Gas Manufacture & Dis- tribution .....	3	516	181	697
Total .....	8	1,618	190	1,808

<b>Wholesale &amp; Retail Trade.</b>				
Petroleum Installation	5	664	3	667

<b>Transport.</b>				
Packing Cargo .....	6	82	2	84

<b>Storage.</b>				
Godown .....	3	935	9	944

<b>Communications.</b>				
Cable & Wireless .....	1	6	—	6
Telephones .....	1	815	40	855
Total .....	2	821	40	861

<b>Recreation Services.</b>				
Motion Pictures Produc- tion .....	5	393	30	423

<b>Personal Services.</b>				
Laundries .....	120	1,585	143	1,728

<b>Grand Total</b> .....	<b>3,319</b>	<b>91,443</b>	<b>55,434</b>	<b>146,877</b>
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## HONGKONG NOTES AND REPORTS

**Commercial Broadcasting:** Government invited tenders from private companies for a 15-year exclusive right to operate a commercial broadcasting station. Applicants should supply details for: (1) royalty, expressed as a percentage of profits; (2) program hours and languages to be used; (3) description of program content and policy; (4) service area of transmission; (5) station site; (6) details of transmitting and receiving installations; (7) time required to set up the station; and (8) details of the Company organisation. To improve Radio Hongkong's service, Government considered to introduce commercial programs but last March Legislative Council recommended Government should invite applications for the establishment of a commercial station subject to government control. Inadequacy of local talent would handicap a commercial radio company. Will advertisers support such a project? A commercial radio station is welcome because Rediffusion and Radio Hongkong offer limited choice of entertainment especially as they so often relay each other's programs.

**Building Development:** A \$4 million, 16-storey building will be erected on the site now occupied by a 50-year-old structure housing Whiteaway, Laidlaw and Co. on Des Voeux Road Central; demolition work will start soon and piling in June. Two lower floors will be reoccupied by Whiteaway's; upper 14 floors will have a total office space of 92,316 square feet.—The owner of two 4-storey houses at 135 and 137 Des Voeux Road now occupied by Nam Ping Hotel will replace the old structure with two 10-storey buildings.—Demolition of an old house at the corner of Wyndham and Wellington Streets is underway; a 6-storey building will be erected on the site.—Following sites will also be redeveloped: 114 Leighton Road, 42 & 44 Russell Street, 255 Queen's Road East, 146 Wing Lok Street, 27 & 29 Shelley Street, 703 and 705 Nathan Road, 194 and 196 Lai-chikok Road, 24 and 26 Pei Ho Street.

With Chinese in SE Asia sending funds to HK, local real estate business will remain prosperous this year. However it is doubtful whether building construction could exceed 1956 level; vacant lots are now practically unavailable in urban districts and redevelopment of old buildings is more costly because landlords have to pay compensation to old tenants and to go through the slow legal procedure to obtain exemption from the Landlord and Tenant Ordinance. Furthermore, competition intensified; more investment companies were established last year while purchasing power of prospective tenants remains low. From the public point of view, building development is worth encouraging because an increase in the number of new flats must force rentals down. Investors are optimistic because a concrete building is al-

ways marketable as long as there is peace and HK under British rule.

**New Airport:** Reclamation in Kowloon Bay under the \$116 m Kaitak development scheme is proceeding; over 8 million cubic yards of fill have already been dumped into the sea averaging 1 m cubic yards every month; the runway promontory now reaches far out into Kowloon Bay. Land reclamation will be completed before year-end and a 8,340-foot runway and taxiways together with drainage, lighting, fire mains will be completed by August 1958. The new runway will be able to serve latest jet aircraft. **Kuntong Reclamation:** During the past 9 months, 46 factory sites out of a total of 105 at Kuntong reclamation were sold to industrialists but up to the present, not a single factory building has been erected. Have local industrialists lost interest in these sites which they had previously urged Government to auction off as soon as possible?

**The Railway:** For the first time since 1951, the British section of Kowloon-Canton Railway reported a profit of \$248,458 for year ended March 31, 1956. The entry into service of two new diesel electric locomotives in August 1955 helped to reduce expenditure while revenue from passenger and goods traffic increased by \$435,817 and \$398,035 over respective figures for previous year. Exhibitions in Canton during second half year attracted many visitors from here thus increasing non-local passenger traffic. On Ching Ming Festival (April 5, 1955); 54,815 local passengers were carried compared with previous record figure of 7,578 on January 26, 1955. Local passenger traffic was also heavy during the Chinese New Year holidays. Negotiations for a through passenger train service between Kowloon and Canton commenced with a written request from China in November 1955.

Live pigs, whose entry ceased in October 1954, commenced to arrive again by train in July 1955. The ban on export of cattle imposed by Chinese Authorities in December 1955 continued. Principal commodities imported from China by rail during 1955/56 were (in metric tons): eggs 16,788, paper 14,332, timber 11,209, beans 9,876, cotton piecegoods 8,703, potatoes 8,304, fresh vegetables 8,165, iron nails 6,205, wood oil 2,862, cardboard 2,776, pears (fresh) 2,719, apples (fresh) 2,390, herb medicines 2,032, rape seeds 1,951, caustic soda 1,773, iron wire 1,638, lychees (fresh) 1,607, bamboo poles 1,362, umbrellas (oil paper) 1,146, garlic (dried) 1,118. Livestock arrived by rail from China included: 64,887 pigs, 6,614 cows, 6,249 buffaloes and 2,624 goats. Cold storage wagons from China brought here 52 tons of frozen fruits and vegetables, 179 tons of frozen meat and 395 tons of frozen prawns.

## HONGKONG COMPANY MEETINGS

### HK LAND INVESTMENT AND AGENCY CO. LTD.

The annual general meeting was held on March 25. The Chairman (Mr. H. D. M. Barton) disclosed that the company would proceed with the redevelopment of the King's, York and Union Building sites covering 37,000 square feet, immediately after the completion of the new, 16-storey Jardine House at the corner of Pedder Street and Des Voeux Road Central. The redevelopment will be carried out in two phases. Phase One will deal with the King's and York

Building sites, and will be followed when this is completed by the Union Building portion. As in the case of Alexandra House, Phase One will be self-contained in all respects so that it could be operated satisfactorily as a complete building should it be deemed expedient for any reason to suspend construction operations when this portion has been built.

The construction of the second portion of Alexandra House was completed in March, 1956. All of the 136,742 square feet of accommodation for offices and shops was taken up as soon as it was ready for occupation. The completed

Alexandra House, which contains in all some 247,000 square feet of business premises, is now contributing substantially to the Company's prosperity. Work began early in April on the demolition of the old Jardine's Building. Despite some delay owing to the late arrival of structural steel, this building will be ready for occupation by the end of 1957. It will contain 97,000 square feet of office space on 16 floors. The former Jardine's Building contained only 20,000 square feet. Jardine, Matheson and Co., Ltd., will occupy about half of the accommodation in the new building; the remainder, which will be air conditioned, will meet only a fraction of the present demand for office space. With the completion of Jardine House the Company will, over a period of about 10 years, have provided a total of 560,000 square feet of new office accommodation in Hongkong.

Following the purchase of David House, at Nos. 67/69 Des Voeux Road, Central, the Company acquired the adjoining property, No. 37A/40 Connaught Road, Central. The two sites, taken together, form a rectangular site of some 16,000 square feet, with frontages on three streets. By adding the Connaught Road property to David House with a view to future redevelopment as one commercial building, the value of both sites is enhanced. The company is also considering to build first class hotels in view of the growing tourist trade. A Bill providing for further increases of controlled rents and for the decontrol of certain classes of properties at a certain date was introduced in the Legislative Council in August 1956, by the Acting Colonial Secretary. There was widespread opposition to the Bill and Government had postponed the second reading of the Bill.

The Company's net profit for the year amounted to \$8,964,166, an improvement of \$1,947,149 over 1955. The second section of Alexandra House, completed in March, 1956, together with the recent acquisition of 67/69 Des Voeux Road, Central (David House) and 37A/40 Connaught Road, Central, provided the greater part of this increase. The business of the Agency Department continues to expand. Letting and Management Fees for 1956 totalled \$264,394, an improvement of 28 per cent over 1955. By the end of 1956 gross earnings from this Department were exceeding \$300,000 per annum. The net revenue from the Gloucester Hotel for 1956 amounted to \$400,405, which is \$171,832 more than for 1955. A marked increase in the number of overseas visitors during the Summer months was largely responsible for this improvement. In addition to the profit of \$8.9 m, the balance brought forward from last year was \$313,819, making a total of \$9,277,985. Reserves have been made for: Corporation Profits Tax, 1957/58 \$1,050,000; Amortisation of Crown Leases \$600; Depreciation and Replacement of Buildings \$1,603,641. Total \$2,654,241, leaving \$6,623,744 for: payment of interim dividend \$1.75 per share on 1,300,000 shares—\$2,275,000; final dividend \$1.75 per share on 1,300,000 shares—\$2,275,000; bonus to staff—\$90,000; general reserve—\$1,400,000; carry forward to 1957—\$583,744.

In order to place the Balance Sheet figures on a more realistic basis, the book value of land in the Central District of Hongkong should be adjusted to a common figure of \$250 per square foot. Property in this neighbourhood has changed hands recently at substantially higher prices. The net appreciation in book value amounts to \$44,337,000. This amount has been credited to Capital Reserve. It will not be available for distribution in the form of dividend but could be capitalised and distributed by the issue of fully paid up shares. A further adjustment amounting to \$726,000 has been made between the respective book values of "Land" and "Building" for Union Building. The property was purchased in 1946, when the land was entered at \$70 per square foot, and the balance of the purchase price was entered as the cost of the building. The adjustment reduces the book value of the building to a figure which can be completely written off by the end of 1959. Substantial amounts have been added to the cost of Land and Buildings during the year. The purchase of David House and 37A/40 Connaught Road, Central, added \$4,500,000 to the cost of Land.

"Buildings at cost" increased by \$9,443,398, of which \$8,708,534 represents the cost of the second section of Alexandra House.

During the year 1957 and the early part of 1958 more than \$7,300,000 will be needed to meet the cost of building construction planned or in progress. Separate announcements have already been made with regard to the proposed issue of further Share Capital during 1957. The offer of 200,000 new shares at par is intended to raise the sum of \$5,000,000 which, with the amounts which are estimated to be available for transfer to Reserves in 1957, will be sufficient to cover the Company's commitments on Building Contracts up to the end of the year. Since my Statement last year, directors have given careful thought to the probable effect upon the Company's finances of the increasing cost of building construction and the growing competition from the many new office buildings which are now appearing in the Central District of Hongkong. They consider that it may not always be possible to adjust rentals of further new buildings to offset the higher cost of construction. When planning to raise the further amounts of Capital which will be required during the next few years if the Company's redevelopment programme is to continue, it would be prudent to budget for a lower rate of return on this new capital expenditure than has been obtained in the past. Directors have, therefore, decided to propose that the sum of \$22,500,000 now standing to the credit of Capital Reserves be capitalised and applied to the paying up in full of 900,000 new shares to be allotted to the Shareholders of the Company in the proportion of nine new shares to thirteen of the existing issued shares. The addition of a further 900,000 fully paid shares would necessarily have to be followed by an adjustment in the rate of dividend per share.

## HUMPHREYS ESTATE AND FINANCE CO. LTD.

At the annual meeting held on March 21, Mr. E. R. Childe (Chairman) reported that the sale of company's Kowloon property was completed last year in July. The cost of redevelopment, including renewal of the Crown Lease which had only 23 years to run, would have been very heavy and the return somewhat speculative; and when we received a very attractive offer to purchase the properties, directors considered it was in the best interests of the Company to accept it. The profit on sale is \$3,996,244, which represents the proceeds of sale, less value of property in books and all expenses. This leaves us free to continue developments in May Road area where we have a number of most valuable and attractive sites for flats. "Clovell Court" was completed in June and fully occupied by September. Rents for the full year on "Tregunter Mansions" were collected compared with only a month or two's rentals in 1955. As a result rents increased by \$519,510. The arrangement to act as Secretaries to the Peak Tramways Company Ltd., was terminated by mutual agreement at the end of May, resulting in the decrease of \$6,200 in clerical fees and office rental. The expenses have increased owing to our developments, the main increases being in bank interest, which is \$47,667 more than in 1955 due to expenditure on our new May Road properties prior to the receipt of the proceeds of sale of the Kowloon properties, and an increase of \$32,244 in property tax on the rentals obtained from our new properties.

The net profit for 1956 amounted to \$1,044,268, an improvement of \$389,588 over 1955. To this is added \$101,410 brought forward from 1955 and the \$3,996,244 from sale of the Kowloon properties, making a sum of \$5,141,922 available for: depreciation & replacement of buildings—\$225,465; corporation profits tax 1957/58—\$36,000; capital reserve—\$3,750,000; \$1.40 dividend per share—\$910,000; carry forward—\$220,457.

A part of the payment for the Kowloon properties has been left on mortgage (in lieu of payment by deferred instalments) for a limited period; directors are now consider-



ing further buildings in May Road to provide a profitable investment of this money when repaid. Directors have also offered a portion of the 15/17 Peak Road property to the Mid-Level School Building Fund whose purpose will be to erect a primary school to be run, when completed, by the Education Department of Government. This scheme has been received with enthusiasm by everyone and will add to the amenities of the neighbourhood.

HK ELECTRIC CO. LTD.

In his statement at the annual general meeting on March 14, the Chairman, Mr. B. T. Flanagan disclosed that the company made a profit of \$12.2 million last year. The number of consumers connected to the system at December 31, 1956 totalled 74,342, and the meters installed totalled 113,403, an increase of 7.2 per cent over 1955. It appears from reports of building projects and the increasing popularity of airconditioning, that during 1957 the existing rate of output will be fully maintained and probably exceeded. The analysis of sales during 1956 is as follows:—Lighting, 82,390,545 units; Public lighting, 2,025,786 units; Bulk power, 53,044,784 units; Commercial and domestic power, 125,950,517 units; making a total of 263,411,632 units. The generating capacity of the existing Station totals 92,500 K.W. This includes 15,000 K.W. of obsolete plant which, however, is retained for use as stand-by during emergencies. The installation of a new 200,000 lbs./hour boiler was completed in 1956. Work on the new 'B' Power Station has proceeded on schedule. Erection of the steel frame-work to the building will shortly begin and the work on the pump-house and culverts is well advanced. The new Station will be ready to take load before end of 1958.

The rapid increase in the building of multi-storied blocks has doubled our load in the city within three years. It has been necessary, therefore, to lay new high tension cables

between the Power Station and the Tricity House Substation. We are also laying new high tension cables to serve the south side of the island. A considerable number of sub-stations were commissioned during the year and the low tension network was augmented. The basic charge per Lighting unit remains at 28 cents less discounts for quantities consumed, and that for Power at 12 cents per unit. In our Report for 1955 it was mentioned that fuel prices had increased considerably since the surcharge was last reduced to 9 per cent on 1st August 1954. The cost to the Company of maintaining the surcharge at the rate of 9 per cent amounted to \$1.6 million in 1956. We faced further increases in January 1957, and it was therefore reasonable to increase the surcharge to 18 per cent while the Company continued to absorb \$2 million per year of the extra fuel costs. Representations have been made to the Company by various bodies including the Chinese Manufacturers' Union, the Chinese General Chamber of Commerce, etc.; explanations were given why the Company found it necessary to pass on part of the extra costs to the consumers.

"During 1956 the Company raised \$10 million of fresh capital by an issue to shareholders for cash and also capitalised \$5 million from reserves. As indicated in our 1955 Report we have very extensive plans for the development of the Company's system to the extent of some \$150 million which we expect to lay out over the period 1957 to 1967. This expenditure embraces new generating plant and extensions to the distribution system. The balance at the Credit of Profit and Loss Account available for distribution is \$12,200,447, to which is added the balance brought forward from 1955 of \$855,917 making a total of \$13,056,364 for: payment of \$1.10 interim dividend on 3,500,000 "old" shares—\$3,850,000; 90 cents final dividend on 5,000,000 shares—\$4,500,000; general reserve—\$2,500,000; write-off compensation to agents—\$1,500,000; carry forward—\$706,364.

(To be Continued)

HONGKONG SHIPPING IN JANUARY 1957

Vessels			Cargo		
No.	Entered Ton	No.	Cleared Ton	Arrived (ton)	Departed (ton)
British	259	455,998	261	463,040	135,493
American	20	109,198	20	109,198	56,963
Chinese	15	3,784	16	4,544	9,147
Danish	16	50,694	16	49,375	4,810
Dutch	20	87,238	19	82,454	8,914
French	6	20,325	5	18,672	20,753
German	4	18,373	4	18,373	1,495
Indian	4	12,164	4	12,164	2,790
Italian	2	11,182	2	11,182	1,575
Japanese	30	82,167	32	82,258	500
Korean	5	6,671	6	7,403	16,077
Librian	3	6,368	3	6,368	5,862
Norwegian	38	107,236	36	101,980	4,330
Panamanian	8	15,692	8	13,267	1,393
Philippine	2	4,464	2	4,464	14,046
Swedish	10	29,545	10	29,545	2,683
Thailand	1	1,672	1	1,672	67
Vietnam	1	1,586	1	1,586	400
Yugoslavian	3	6,569	3	6,569	1,407
Total	447	1,032,926	449	1,025,452	3,090
				850	3,400
				329,309	153,609

HONGKONG AIR TRAFFIC IN JANUARY 1957

Departures			Arrivals		
Points of Call	Passengers	Freight (Kilos)	Mail (Kilos)	Passengers	Freight (Kilos)
United Kingdom	179	13,956	403	124	8,659
Europe	121	9,073	221	108	2,939
Middle East	171	6,897	1,523	114	6,048
Calcutta	112	6,103	651	180	259
Rangoon	143	6,768	156	129	436
Bangkok	1,116	30,986	4,003	829	3,541
Laos	94	42,158	66	58	851
Vietnam	434	9,405	83	290	2,804
Singapore	640	12,202	3,469	400	2,501
Philippines	1,439	12,605	2,647	1,633	7,646
Australia	174	2,269	699	146	2,873
United States	209	9,319	3,966	93	3,363
Honolulu	129	5,114	1,517	72	157
Canada	137	963	519	47	612
Japan	1,407	5,194	4,577	1,246	410
Formosa	540	37,285	1,787	11,011	2,642
South Korea	293	3,281	461	3,044	1,084
Macau	5	3,583	—	267	387
Okinawa	114	9,584	68	83	287
Total	7,457	222,143	25,816	6,514	64,906
Direct Transit	828	15,268	—	828	15,268
Total Aircraft Departures	= 334.				
Total Aircraft Arrivals	= 334.				

## HONGKONG STATISTICAL REPORTS FOR 1956

Vital Statistics:	December	1956 Total
Birth .....	9,469	96,746
Death .....	1,627	19,295
	Dec. 1956	Dec. 1955
	(March 1947:100)	
General Retail Price Index .....	120	115

Hongkong Clearing House Figures:	October	November	December
\$1,234,518,186	\$1,301,773,006	\$1,415,179,114	

Banknotes in Circulation:	December
The Hongkong & Shanghai Banking Corporation	\$675,742,000
The Chartered Bank .....	52,459,175
The Mercantile Bank of India .....	3,504,200
Total .....	\$731,705,375

Production of Electricity and Gas:	December	1956 Total
Electricity (kw hrs) .....	54,115,591	649,942,492
Gas (cubic feet) .....	56,086,100	607,067,700

Food Supply:	December	1956 Total
Animals Slaughtered (head) .....	62,857	799,029
Fish Marketed (tons) .....	3,871	40,428
Vegetables Marketed (tons) .....	8,224	79,534

Mining Production:	October	November	December	1956 Total
Clay (tons) .....	302	706	701	5,464
Iron Ore (tons) .....	10,258	9,686	9,519	122,963
Wolfram Ore (lbs) .....	21,011	5,040	6,362	54,268
Lead Ore (tons) .....	5	4	21	199
Graphite (tons) .....	285	214	167	2,441
Quartz and Feldspar (tons) .....	312	315	295	3,005

Cement Production:	December	1956 Total
Cement (metric tons) .....	8,730	120,714

Registration of Factories:	December	1956 Total
Applications Received .....	19	507
Cancelled and (Refused) .....	5	192 (12)
Certificates Issued .....	36	488

Building Construction in December:	Number	Cost in HK\$	
City of Victoria:		Building	Site Work
Factories and Godowns .....	1	7,500	—
Offices and Shops .....	5	90,200	—
Houses and Flats .....	22	886,880	15,805
Other (including mixed accommodation) .....	3	755,000	—
Island outside Victoria:			
Factories and Godowns .....	6	1,511,638	177,236
Houses and Flats .....	10	501,846	23,236
Other (including mixed accommodation) .....	3	36,782	—
Kowloon and New Kowloon:			
Factories and Godowns .....	7	521,293	2,150
Offices and Shops .....	1	1,373,450	—
Houses and Flats .....	51	4,150,348	4,463
Other (including mixed accommodation) .....	1	22,637	—
Total .....	110	9,857,574	222,890

## Kowloon-Canton Railway (British Section):

Passengers:	December	1956 Total
Upward .....	224,804	2,305,184
Downward .....	221,481	2,274,997
Concession Tickets .....	15,919	180,408

## Freight:

Upward .....	1,381,120 kgs	18,874,420 kgs
Downward .....	22,820,530 kgs	196,852,010 kgs

## Number of Vehicles and Drivers Licensed:

Vehicles:	In December	Total on Dec. 31
Trams .....	—	138
Motor Cycles .....	23	1,783
Private Cars .....	226	19,591
Taxis .....	2	344
Public Hire Cars .....	2	283
Motor Buses .....	7	644
Public Commercial Lorries .....	11	1,394
Private Commercial Lorries .....	36	2,046
Government Cars & Lorries .....	15	870
Lorries (Kai Tak Airport Devel.) .....	1	83
Lorries (Construction Site) .....	1	298
Rickshaws (Private) .....	—	24
" (Public) .....	—	853
Public Chairs .....	—	6
Tricycles (Goods) .....	—	791
Trailers .....	—	8

Drivers:		
Motor Car Drivers .....	1,180	61,824
Const. Site Drivers .....	17	429
Driving Instructors .....	36	487
Rickshaw & Tricycle Drivers .....	7	3,745

## SHIPPING

FOREIGN TRADE CONDUCTED BY JUNKS AND LAUNCHES  
UNDER 60 TONS

	December		1956 Total	
	Inward	Outward	Inward	Outward
Tonnage of Cargo: Junks .....	116,493	14,034	983,456	95,497
Tonnage of Cargo: Launches .....	7,325	316	82,188	15,043
Total .....	123,818	14,350	1,035,644	110,539
Tonnage of Vessels: Junks .....	116,577	124,369	1,161,169	1,169,893
Tonnage of Vessels: Launches .....	11,614	11,452	109,691	106,531
Total .....	128,191	135,841	1,270,860	1,279,424

## COMMERCIAL CARGO TONNAGES

	December		1956 Total	
	Discharged	Loaded	Discharged	Loaded
Ocean-going Vessels (tons) .....	311,979	162,595	3,514,963	1,781,204
River Steamers (tons) .....	1,496	2,040	13,127	18,135
Total (tons) .....	313,475	164,635	3,528,090	1,799,339

## AIR TRAFFIC 1947/56

Fiscal Year (from April to March)	Aircraft		Passengers		Mail (tons)		Freight (tons)	
	In	Out	In	Out	In	Out	In	Out
1947/48 .....	3,862	3,647	58,812	54,514	124	101	427	907
1948/49 .....	8,233	8,210	125,030	126,563	182	178	536	1,071
1949/50 .....	11,057	11,016	138,388	137,431	148	166	2,793	3,100
1950/51 .....	2,640	2,650	31,407	41,657	193	237	1,033	1,469
1951/52 .....	2,588	2,593	33,018	43,393	251	253	1,136	1,475
1952/53 .....	2,595	2,592	42,958	45,890	214	260	1,130	1,542
1953/54 .....	2,595	2,595	47,380	52,005	246	234	619	1,544
1954/55 .....	3,115	3,115	59,004	62,156	291	306	614	1,725
1955/56 .....	3,902	3,603	70,626	76,791	291	409	579	2,104



# FINANCE & COMMERCE

## HK EXCHANGE MARKETS

Mar.	U.S.\$		Notes High	Notes Low
	T.T. High	T.T. Low		
18	\$623	620½	620½	618½
19	624	622½	622½	620½
20	622½	622	621	620½
21	621	620½	619½	618½
22	620½	620	618½	617½
23	619½	619	617½	617

D.D. rates: High 622½ Low 617½.

Trading totals: T.T. US\$3,020,000; Notes cash US\$380,000, forward US\$ 3,050,000; D.D. US\$360,000. Market followed movements of cross rate in New York. Strikes in UK weakened Sterling, but the peak T.T. rate of 624 was over stretched; it rebound to 619½ towards weekend. Speculators and exchange operators were keen buyers, while offers from Japan, Korea and the Philippines remained adequate. In Notes, speculators active; local stock heavy, change over interest aggregated HK\$3.09 per US\$1,000 in favour of sellers. Speculative positions averaged US\$3 m. per day. In D.D., business improved.

**Far Eastern Exchange:** Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.77—1.765, Japan 0.014875—0.014775, Malaya 1.879, Vietnam 0.06451—0.0625, Laos 0.0595, Cambodia 0.085, Thailand 0.2841. Sales: Pesos 330,000, Yen 124 m, Malayan \$320,000, Piastre 11 m, Kip 6 m, Rial 5 m, and Baht ¾ m. **Chinese Exchange:** People's Yuan notes quoted \$1.46—1.43 per Yuan. Taiwan Dollar notes quoted \$164—161 per thousand, and remittances 153—152. **Bank Notes:** Highest and lowest rates per foreign currency unit in HK\$: England 16.28—16.21, Scotland and Ireland 14.00, Australia 12.75, New Zealand 14.95—14.90, Egypt 12.00, East Africa 15.40, West Africa 13.50, South Africa 16.35—16.30, Jamaica 13.50, Fiji 10.00, India 1.19—1.187, Pakistan 0.89, Ceylon 1.00—0.99, Burma 0.51—0.48, Malaya 1.84—1.837, Canada 6.46—6.43, Cuba 5.00, Argentine 0.17, Brazil 0.07, Philippines 1.80—1.785, Switzerland 1.42, West Germany 1.405, Italy 0.0093, Belgium 0.11, Sweden 1.02, Norway 0.72, Denmark 0.717, Netherlands 1.46, France 0.015—0.0149, Vietnam 0.0685—0.0675, Laos 0.06—0.057, Cambodia 0.087—0.081, North Borneo 1.60, Indonesia 0.174—0.16, Thailand 0.287—0.285, Macau 0.997—0.995, Japan 0.015—0.0149.

### Gold Market

Mar.	High .945	Low .945	Macau .99
18	270½	269½	230½ High
19	271½	270	
20	271	270½	
21	269½	269½	
22	269½	269	
23	269½	269	Low 270

Opening and closing prices were 269½ and 269½; highest and lowest 271½ and

269. Market was quiet; fluctuations followed US\$ rates. Local stock small, change over interest in favour of buyers (80 HK cents per 10 taels of .945 fine). Tradings totalled 48,600 taels; 15,480 taels were cash dealings (2,280 taels listed and 13,200 taels arranged). Imports from Macau totalled 6,000 taels. 40,000 fine ounces reached Macau in the week. Exports amounted to 10,500 taels (4,500 to Singapore, 4,000 to Indonesia, 1,000 to Rangoon, 1,000 to Vietnam). Differences paid for local and Macau .99 fine were \$13.00 and 12.00 respectively per tael of .945 fine. Cross rates were US\$37.72—37.70; 52,800 fine ounces contracted at 37.70 cif Macau. US double eagle old and new coins quoted \$284—282 and 263—261 respectively per coin, English Sovereigns \$62—61 per coin, Mexican gold coins \$290—288 per coin. **Silver Market:** 500 taels bar silver traded at \$5.93 per tael; 800 dollar coins at \$3.79 per coin. Twenty-cent coins remained at \$2.92 per five coins.

stimulated demand. Business in Electrics and Lights accounted for another \$1 million of the total turnover; there was slight selling pressure partly on account of the strong opposition from the public to the proposed increase of surcharge. Fluctuations in other shares were small; there was no selling pressure.

**Monday:** market steady with utilities attracting most attention; turnover \$733,000. **Tuesday:** demand selective, \$836,000. **Wednesday:** \$720,000. **Thursday:** Telephones, Watsons, Banks and Unions retained strong demand; \$1,052,000. **Friday:** trading moderate, \$826,000.

**Dividend:** The HK and Kowloon Wharf & Godown Co. Ltd. announced a dividend of \$6 per share for 1956. The Dairy Farm, Ice & Cold Storage Co. Ltd. will pay a final dividend of \$1.10 per share making a total dividend of \$1.625 for 1956.

## HONGKONG STOCK EXCHANGE IN FEBRUARY

Despite dividend announcements and proposed capital bonuses, the market displayed only moderate activity. The proposed new issue by Hongkong Land embraces 9 bonus shares and the right to subscribe for 2 new shares at par for every 13 shares held; and as the new shares rank for dividend from 1st January, 1957, an appreciable rise in the price of shares was expected, but the highest price recorded was \$65. Watsons' profit enables the Company to provide \$400,000 towards creating an investment reserve, and the transfer of \$650,000 to general reserve after payment of \$1 per share dividend. A bonus issue of 1 new share, ranking for divi-

## HK SHARE MARKET

Trading volume recovered to \$4.2 million last week with interest covering most popular shares. HK Banks retained bullish trend of previous week and closed at 1,600. The Bank has applied to Government to do away with the Reserve Liability of Members and if approved, \$25 m. will be freed; shareholders hope some of the cash would be distributed. Wharves attracted keen buyers but sellers asked for 104, 200 shares were transacted at 102; dividend had increased from \$4 to \$6. Telephones registered a total turnover of \$1 m. and advanced to 24.70; the Company's expansion program for 1957

Share	Mar. 15	Last Week's Rate		Closing	Up & Down	Dividend	Annual Return (%)
		Highest	Lowest				
HK Bank	1580	1600	1580	1600	+\$20	\$30	5.00
Union Ins.	925	940	930	940	+\$15	\$34	3.62
Lombard	38 s	38	37.50	38 s	steady	\$2	5.26
Wheelock	6.85 s	6.80	6.75	6.75	-10c	75c	11.11
HK Wharf	102	104 s	100 b	102	firm	\$6	5.83
HK Dock	47.50	48.50	47.50	XD 45	+\$1	\$2	4.44
Provident	13.30	13.30 s	13 b	13.20	-10c	\$1	7.58
HK Land	36.50	37	36.25	36.50	firm	\$3.50	9.59
Realty	1.375	1.40 s	1.35 b	1.375	steady	15c	10.91
Hotel	14.40	14.40	14.10	14.10	-30c	\$1	7.09
Trams	22	22.10	21.90	21.90	-10c	\$1.85	8.45
Star Ferry	136 b	138 s	135 b	137	+\$1	\$9	6.57
Yau-mat	106	107	106	107	+\$1	\$7.50	7.01
Light	23.40	23.20	22.80	22.80	-60c	\$1.10	4.82
Electric	30.25	30.25	30	30	-25c	\$2.70	9.00
Telephone	24.50	24.70	24.50	24.60	+10c	\$1.50	6.10
Cement	33.50	33.75	33.25	33.50	firm	\$4	11.94
Dairy Farm	16.30	16.60	16.30	16.40	+10c	\$1.63	9.94
Watson	11.40	12	11.40	12	+60c	\$1	8.26
Yong-tze	5.85 b	5.85	5.85 b	5.85 b	steady	70c	11.97
Allied Inv.	4.75 s	—	—	4.75 s	dull	25c	5.26
HK & PE Inv.	9.80 b	9.90	9.80 b	9.90 b	steady	75c	7.65
Amal. Rubber	1.45	1.45	1.425	1.45 s	steady	30c	20.69
Textile	4.75	4.80 s	4.70 b	4.70	-5c	50c	10.64
Nanyang	8.15 b	8.25	8.15 b	8.15 b	steady	80c	9.82







**Trade with Malaya**, particularly with Singapore, remained at high level. Imports of used tyres, scrap wire, firewood, charcoal and other staples amounted to only about 30% of value of exports to Malaya. Substantial volume of shipments to Malaya went from there to Indonesian territories outside Java island.

**Trade with the Philippines:** In spite of the relaxation on control of cotton textile imports in Manila, orders reached here were for small quantities only. Imports of fruits, abaca, groundnut kernel, rice bran from the Philippines totalled 1,000 tons. Towards weekend, Manila extended the validity of barter licences in trade with HK from March to end of June.

**Trade with Cambodia** remained restrictive because Phnompenh bought heavily from Japan and US. Trade with Laos was quiet. South Vietnam shipped here some hide & skin, rice, and straw matting in exchange for herb medicines, enamelware, vacuum flask and foodstuffs. North Vietnam bought in local market small quantities of chemicals, window glass, used tyres, gunny bag and provisions; shipped here feather, woodoil, aniseed oil, sea food and maize. Trade with these states showed a bearish tendency.

**Trade with Africa:** South Africa was considering to relax import restrictions but West Africa might curtail purchases of enamelware and other HK manufactures because bad grain crop there last year had weakened purchasing power. Imports of cotton, ivory, tanning extract and other staples from East and South Africa totalled 2,000 tons.

**Trade with Burma:** Rangoon sent here enquiries for cotton textiles and orders for consumer goods including metalwares, canned food, sundry items and toilet articles. Dealers here were optimistic in HK-Burma trade; HK products constituted 50% of shipments to Rangoon.

**Trade with Ceylon** was quiet. Ceylon delegates in Peking signed 6 contracts covering purchases of potato, garlic, silk, silk fabrics, cotton textiles, stationery and cement from China.

**Trade with Australia:** In addition to cotton textiles, Australia enquired for plastic products, rattanware, vacuum flask and other HK manufactures. Exports still much less than imports. Indents for Australian sole leather were marked up.

**Trade with the Middle East:** Orders from Aden and other M.E. ports covered chiefly enamelware, shirt, plastic products, aluminum ware, torch, tea, ginger and other spices. Trading however was restricted by inadequate shipping facilities for these markets. Situation will improve after the Suez is opened to regular traffic.

**Freight Rates:** Europe-HK and UK-HK freight rates will be increased as from May 1, 1957. Freight for metals from Europe and UK to HK however increased from 160s to 180s per ton on March 12. On the other hand surcharge on metal shipments dropped from 50s to 20s; as a result total freight charge for metals down by 10s per ton.

**China Produce:** In addition to imports from SE Asia, supply of beans and feather from China resumed, though restrictive in volume. There were also offers from China for essential oils, yellow camphor oil, and sassafras oil; but no response in the local market. Trading volume small because demand from Japan, Europe and other sources selective. Beans retained strong local demand; Japan only interested in soya beans, Singapore in red bean and Taiwan in green peas. Garlic firm on orders from Singapore in spite of the fact that China shipped large quantities of this item direct to Malayan markets. Rosin firm, Japan and Singapore bought heavily. Silk wadding quiet, dealers booked only small quantities from China because indents up and local demand last year was weak. Spun silk however firmed on marked-up cost and strong demand from Switzerland, Indonesia and India. Woodoil, too, improved on orders from Australia, New Zealand and Japan. Groundnut oil, good quality firmed on short stock but lower quality sluggish. Groundnut in shell favored by France, kernel firmed on local demand. Market trend uncertain because supply from China irregular and imports from SE Asia inadequate.

**Metals:** It was rumoured that Government might restrict imports of round bars and other items in view of heavy stock here. According to an official of D.C. & I., only imports of strategic items are under government control. However imports of round bars and items which are heavy in stock will be much less in coming months because dealers here have already curtailed booking of these items. Prices last week remained at low levels but further drops prevented by high replenishment cost; some items already lower here than new indents. The market registered demand from China for round bars, galvanized iron pipe, black plate, tinplate and waste waste, galvanized iron sheet and mild steel plate; from Philippines for iron pipe and steel plate; from Taiwan for G.I. pipe; from local contractors for structural steel and from factories for sheets and plates. Trading volume small because buying offers low while most dealers refused to sell below cost.

**Paper:** Prices very firm because demand from Korea, Thailand, Cambodia, Indonesia and local buyers was strong while cost of Chinese and Japanese products further advanced. Stocks of following popular items further dwindled: newsprint in reams, woodfree, sulphite, kraft, manifold, cellophane, glassine,

flint, aluminum foil, cigarette paper, duplex board and straw board. Trading also handicapped by difference between buying offer and advanced local quotation. Booking of new supply from Japan slow; cif HK price for woodfree was same as cif Singapore and cif Malaya quotations making it impossible for local dealers to conduct entropet trade.

**Industrial Chemicals:** Market remained sluggish with more enquiries than orders from Korea for sodium bicarbonate, acetic acid, oxalic acid, bronze powder, tanning extract, linseed oil and ultramarine blue; from Taiwan for formalin and copper sulphate; from Cambodia for linseed oil and from Philippines for acetic acid. With the exception of tanning extract, transactions in other items involved only small quantities.

**Pharmaceuticals:** In view of short stock and possible demand from Korea and other sources, dealers here booked small consignments of caffeine alkaloid, PAS, antipyrin and other fine chemicals from Europe. Sulfaguandine short under absorption by India, Korea and Singapore. Saccharine crystal bought by Indonesia but expected arrival prevented improvement. Phenacetin and caffeine alkaloid attracted enquiries from China but no transaction closed. Enquiries from Korea covered also glucose, aspirin, santonin crystal. Local demand for fine chemicals and cod liver oil capsules steady.

**Cotton Yarn & Piece Goods:** HK yarn registered almost no spot transaction; enquiries and orders from Burma, Indonesia and other buyers went direct to local mills. Pakistan 10's yarn declined under selling pressure brought about by heavy imports; 20's firm on increased cost and speculative buying. HK drill first eased under liquidation by speculators but later recovered under enquiries from Australia, Indonesia and Philippines; HK grey also favoured by these buyers. Chinese grey retained local demand but heavy imports depressed prices. Chinese drill, too, eased under arrivals. Japanese grey firm on curtailed supply; white shirting retained strong demand from shirt factories. Taiwan grey offered at very competitive price; local demand still shy.

**Rice:** Thai rice in local market failed to recover in spite of higher cost; local demand normal but competition from Chinese, Burmese, Cambodian and Vietnam rice keen. Further drop however unlikely.

**Wheat Flour:** Dealers estimated local stock of imported brands after new arrivals from US and Canada was about 200,000 bags; prices steady on high replenishment cost. HK products retained strong local demand and enjoyed growing export sales; prices marked up on advanced cost for US and Canadian wheat.

**Sugar:** Taiwan granulated continued to improve on speculative buying and



orders from Cambodia, Taiwan and Philippine brown firmed as stock dwindled. HK products retained strong local demand; exports, too, remained at high level.

**Cement:** Japanese cement firm because dealers expected indents to go further up on account of increased production cost. Imports of Chinese cement insignificant, prices here remained at the level of Japanese products. HK cement firm.

**Window Glass:** Exports to Haiphong and North Borneo slower after recent heavy consignments to these destinations. Supply from China also curtailed.

**Gunny Bags:** Imports from India were absorbed by demand from North Vietnam, Thailand and Cambodia. Forward cargo also taken.

**Hongkong Products:** Beginning April 1, Government certificates of origin/imperial preference would be issued only against applications submitted on new forms. Among innovations in revised forms are: the requirement that in addition to manufacturer, name of

exporter must be given; the necessity of applications being presented at least four working days in advance of advertised sailing date of carrying vessel.

## HONGKONG COMPANY INCORPORATIONS

During February the following limited liability companies were registered here at the Supreme Court:—

**Ace Entertainment Company Limited**—Proprietors of theatres; Nominal Capital: HK\$1 million; Registered Office: 208 Bank of East Asia Building, Hongkong; Subscribers: Norman Fook Cheung Li, 9 Seymour Road, Hongkong, Merchant; Chan Ying Lik, 9 Golden Dragon Terrace, Hongkong, Merchant.

**Gopher Steamship Company Limited**—Shipowners; Nominal Capital: HK\$1 m.; Subscribers: Martin Wyndham Hedley Calvert, 261 Gough Hill Road, The Peak, Hongkong, Steamship Manager; Peter Oswald Scales, 261 The Peak, Hongkong, Company Secretary.

**Pearl River Manufactory Company, Limited**—Manufacturers of metal wares; Nominal Capital: HK\$200,000; Registered Office: 16 Po On Road, Kowloon; Subscribers: Chan How Chi, 16 Po On Road, Kowloon, Merchant; Chiu Wai Man, 148 Carpenter Road, Kowloon, Merchant.

**Yong & Lee Timber Shipping Company, Limited**—Steamship owners; Nominal Capital: HK\$350,000; Registered Office: 23 Connaught Road West, Hongkong; Subscribers: Yong Khaw, 23 Connaught Road West, Hongkong, Merchant; Lee Wai Hing, 110 Java Road, North Point, Hongkong, Merchant.

**United Builders Insurance Company Limited**—Nominal Capital: HK\$1 m.; Registered Office: 180-182 Hennessy Road, Hongkong, Subscribers: Ho Iu Kwong, 51 Blue Pool Road, Hongkong, Merchant; Tam Shiu Hong, 2 Kwong Chiu Terrace, King's Road, Hongkong, Merchant.

**International Textile Company, Limited**—Silk, rayon and cotton spinners; Nominal Capital: HK\$200,000; Registered Office: 584 Castle Peak Road, Kowloon; Subscribers: N. C. Chang, 49 Chatham Road, Kowloon, Merchant; Kao Vei Tsing, 49 Chatham Road, Kowloon, Married Woman.

**H.K. China Engineering & Trading**—Importers & exporters; Nominal Capital: HK\$50,000; Subscribers: H. B. Yoh, 17D Chatham Road, Kowloon, Merchant; Joseph Yoh, 212A Hongkong Hotel Building, Hongkong, Engineer.

**Leather Corporation Limited**—Leather merchants; Nominal Capital: HK\$100,000; Subscribers: Elfm S. Toochin, 146C Argyle Street, Kowloon, Merchant; C. Brigola, 377 Castle Peak Road, Bungalow C, New Territories, Merchant.

**Vermont Company, Limited**—Keepers of Hotels and restaurants; Nominal Capital: HK\$3 m.; Registered Office: 630A Nathan Road, Kowloon; Subscribers: Norman Ping Chan, 30 La Salle Road, Kowloon, Merchant; Chan Bing Yee, 30 La Salle

Road, Kowloon, Merchant.

**Oriental Woodcraft Company, Limited**—Nominal Capital: HK\$50,000; Registered Office: 61 Carnarvon Road, Kowloon; Subscribers: Chan Chai Hung, K.I.L. 607 Ta Shia San Street, Nga Tsin Wai Village, Kowloon, Merchant; Lo Wan Lin, K.I.L. 607 Ta Shia San Street, Nga Tsin Wai Village, Kowloon, Married Woman.

**Fohag Limited**—Exporters and importers; Nominal Capital: HK\$100,000; Subscribers: F. D. Hammond, 36 Dina House, Hongkong, Solicitor; W. C. R. Carr, 23 Shouson Hill, Hongkong, Solicitor.

**West Coast Trading Company Limited**—Importers & exporters; Nominal Capital: HK\$300,000; Registered Office: 505 Fu House, Hongkong; Subscribers: D. Brittan Evans, 17 Shek O, Hongkong, Solicitor; F. D. Hammond, 36 Dina House, Hongkong, Solicitor.

**Blanca Navigation Company, Limited**—Shipowners; Nominal Capital: HK\$1 m.; Registered Office: 702 Wing On Life Building, Hongkong; Subscribers: TSONG Yea Chao, 22 Macdonnell Road, Hongkong, Merchant; Robert YU Tsai Chen, 53 Cumberland Road, Kowloon Tong, Kowloon; Merchant.

**Chao Lien Hong, Limited**—Importers and exporters; Nominal Capital: HK\$600,000; Registered Office: 26 Des Voeux Road West, Hongkong; Subscribers: WONG Kuo Tung, 160 Boundary Street, Kowloon, Merchant; DAI Chun Po, 520 Union Building, Hongkong, Merchant.

**Walkfort Leather Shoe Works, Limited**—Nominal Capital: HK\$200,000; Registered Office: 104 Kwok Man House, Hongkong; Subscribers: TEND Chin-cheng, 3 Granville Circuit, Kowloon, Merchant; YIN Quan-yuan, 80 Kimberley Road, Kowloon, Merchant.

**American Cigarette Company Limited**—Manufacturers of and dealers in tobacco & cigars; Nominal Capital: HK\$1,000; Registered Office: 256 Gloucester Road, Hongkong; Subscribers: Raymond Edward Moore, 1 Des Voeux Road Central, Hongkong, Solicitor; Robert Henry Hindmarsh, 1 Des Voeux Road Central, Hongkong, Solicitor.